VONGROUP LIMITED

黃河實業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 318)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2020

The board of directors (the "Directors") of Vongroup Limited (the "Company") wishes to announce the preliminary consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 April 2020 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**34,023**	33,953
Other revenue	*5*	**1,115**	1,085
Other gains	*5*	**5**	5
Staff costs		**(5,105)**	(6,971)
Expenses recognised under short-term leases		**(651)**	(644)
Depreciation		**(771)**	(773)
Administrative and other operating expenses		**(15,819)**	(14,398)
Net impairment losses recognised in respect of financial assets at amortised cost		**(1,337)**	(4,679)
Change in fair value of investment properties		**(761)**	15,320
Change in fair value of financial assets at fair value through profit or loss ("FVPL")		**(100)**	–
Finance costs	*6*	**(679)**	(640)
Profit before income tax	*6*	**9,920**	22,258
Income tax credit (expense)	*7*	**298**	(98)
Profit for the year		**10,218**	22,160
Other comprehensive loss for the year			
Item that will not be reclassified to profit or loss			
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")		**(331)**	(15,861)
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(1,313)**	(1,551)
Total other comprehensive loss for the year, net of tax		**(1,644)**	(17,412)
Total comprehensive income for the year attributable to owners of the Company		**8,574**	4,748
Earnings per share *(HK cents)*	*9*		
– Basic and diluted		**5.32**	11.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 April 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**12,334**	13,092
Investment properties		**245,428**	246,697
Goodwill		**–**	–
Deposits paid for acquisition of property, plant and equipment		**–**	364
Financial assets at FVOCI		**23,808**	24,139
Financial assets at FVPL		**1,550**	1,650
		283,120	285,942
Current assets			
Financial assets at FVPL		**11,303**	8,274
Forfeited collaterals held for sale		**289**	723
Accounts receivable	*10*	**38,014**	33,641
Loan receivables		**28,476**	9,957
Deposits, prepayments and other receivables		**46,228**	45,200
Bank balances and cash		**19,600**	34,434
		143,910	132,229
Current liabilities			
Accruals and deposits received		**9,686**	7,075
Bank borrowings		**24,267**	26,295
Tax payables		**567**	829
		34,520	34,199
Net current assets		**109,390**	98,030
Total assets less current liabilities		**392,510**	383,972
Non-current liabilities			
Deferred tax liabilities		**860**	896
NET ASSETS		**391,650**	383,076
Capital and reserves			
Share capital		**7,688**	7,688
Reserves		**383,962**	375,388
TOTAL EQUITY		**391,650**	383,076

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in Note 2 below.

2. ADOPTION OF NEW REVISED HKFRSs

In current year, the Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Annual Improvements Project – 2015-2017 Cycle
HKAS 12: Income tax consequences of payments on financial instruments classified as equity
The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HKAS 23: Borrowing costs eligible for capitalisation
The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments
HK(IFRIC)-Int 23 supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of HK(IFRIC)-Int 23 does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 19: Employee Benefits
The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 9: Prepayment Features with Negative Compensation
The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at FVPL if specified conditions are met.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 May 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated losses or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis (if applicable):

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA.

The Group's operating lease commitment was regarded as short-term leases and are exempted from recognising right-of-use assets and lease liabilities under HKFRS 16. Except for reclassification of leasehold land and building from property, plant and equipment to right-of-used assets (presented in property, plant and equipment) from 1 May 2019, the adoption of HKFRS 16 does not have any significant impact on the consolidated financial statements.

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

3. SEGMENT REPORTING

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on nature of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable operating segments of the Group.

During the year, as a result of the restructure of internal information reporting purposes, the Group has determined that there are four reportable segments which are set out below. The comparative figures have been restated accordingly.

1.	Technology & management:	Technology & management related activities
2.	Financial services:	Consumer finance, other financial/business services and related activities
3.	Property:	Real property and related activities
4.	Securities:	Securities and related activities

a) Segment revenue, results, assets and liabilities

Segment revenue represents revenue derived from provision of technology & management services, financial services, property leasing services, and trading of listed equity securities.

Segment results represent the revenue reported by each segment without allocation of certain other revenue and other gains, corporate expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the CODM of the Group for the reportable operating segments for the year is as follows:

Year ended 30 April 2020

	Technology & management	**Financial services**	**Property**	**Securities**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**30,689**	**1,063**	**4,859**	**(2,588)**	**34,023**
Segment results	**23,918**	**376**	**3,405**	**(2,771)**	**24,928**
Unallocated other revenue and other gains					**1,113**
Unallocated corporate expenses					**(15,442)**
Finance costs					**(679)**
Profit before income tax					**9,920**
Income tax credit					**298**
Profit for the year					**10,218**

Year ended 30 April 2019

	Technology & management	Financial services	Property	Securities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	29,734	658	5,115	(1,554)	33,953
Segment results	21,559	(420)	19,614	(1,843)	38,910
Unallocated other revenue and other gains					1,004
Unallocated corporate expenses					(17,016)
Finance costs					(640)
Profit before income tax					22,258
Income tax expenses					(98)
Profit for the year					22,160

The accounting policies of the operating segments are the same on the Group's accounting policies.

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Technology & management *HK$'000*	Financial services *HK$'000*	Property *HK$'000*	Securities *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
At 30 April 2020						
Assets						
Reportable segment assets	**85,513**	**42,433**	**247,897**	**11,718**	**39,469**	**427,030**
Liabilities						
Reportable segment liabilities	**3,565**	**159**	**26,293**	**–**	**5,363**	**35,380**
Other information						
Depreciation	**117**	**2**	**–**	**–**	**652**	**771**
Net impairment losses recognised in respect of financial assets at amortised costs	**(159)**	**1,058**	**–**	**–**	**438**	**1,337**
Change in fair value of investment properties	**–**	**–**	**761**	**–**	**–**	**761**
Change in fair value of financial assets at FVPL	**–**	**–**	**–**	**–**	**100**	**100**
Write-off of other payables	**–**	**–**	**–**	**–**	**(89)**	**(89)**
Write-off of deposits paid for acquisition of property, plant and equipment	**–**	**–**	**–**	**–**	**364**	**364**
Additions to property, plant and equipment	**9**	**–**	**–**	**–**	**5**	**14**

	Technology & management *HK$'000*	Financial services *HK$'000*	Property *HK$'000*	Securities *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
At 30 April 2019						
Assets						
Reportable segment assets	102,121	24,471	249,109	8,274	34,196	418,171
Liabilities						
Reportable segment liabilities	1,392	170	28,997	–	4,536	35,095
Other information						
Depreciation	117	5	–	–	651	773
Net impairment losses recognised in respect of financial assets at amortised costs	2,266	82	–	–	2,331	4,679
Change in fair value of investment properties	–	–	(15,320)	–	–	(15,320)
Additions to property, plant and equipment	–	–	–	–	28	28

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include certain property, plant and equipment, investment properties, financial assets at FVOCI, certain financial assets at FVPL, forfeited collateral held for sale, accounts receivable, loan receivables, certain deposits and other receivables, and certain bank balances and cash. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and

- segment liabilities include certain accruals and deposits received, bank borrowings, certain tax payables and certain deferred tax liabilities. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties and property, plant and equipment (the "Specified Non-current Assets"). The geographical location of the revenue is presented based on the entity's countries of domicile. The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets.

	Revenue		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**33,100**	33,156	**233,025**	234,611
Mainland China (the "PRC")	**699**	509	**7,557**	8,736
Macau	**224**	288	**17,180**	17,476
Total	**34,023**	33,953	**257,762**	260,823

c) Information about major customers

Revenue from customers individually contributing 10% or more of the total revenue of the Group is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**5,900**	*Note*
Customer B	**5,815**	*Note*
Customer C	**4,860**	*Note*
Customer D	**4,300**	*Note*
Customer E	**4,000**	*Note*

Note: The individual customers contributed less than 10% of the total revenue of the Group in the respective year.

These customers referred to above are mainly from the Group's technology & management segment.

This segment includes traditional business demands as well as newer business demands in the Hong Kong economy, which is currently going through a transitional period, to address new business and social paradigms that result from the Coronavirus Disease 2019 ("COVID-19") environment. These newer business demands include online education technology, distance business, and other virtual event technology.

As a result of the Group's experience in fintech, cloud and virtual technologies having been strengthened during past few years, the Group has been able to transition towards these newer business demands with larger projects during the year. Typically, there is no reliance on any single customer in the long run. Instead, the Group's business seeks to grow by securing new customers and new projects.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15 – point in time		
Provision of technology & management services	**30,689**	29,734
Revenue from other sources		
Provision of financial services		
– Interest income from consumer finance business	**836**	624
– Interest income from pawn business	**16**	34
– Gain on disposal of forfeited collateral held for sale	**211**	–
	1,063	658
Provision of property leasing services		
– Gross rental income from investment properties	**4,859**	5,115
Trading of listed equity securities		
– Dividend income from listed equity securities	**659**	519
– Net loss on listed equity securities at FVPL (Note)	**(3,247)**	(2,073)
	(2,588)	(1,554)
	34,023	33,953

Note:

	2020	2019
	HK$'000	*HK$'000*
Net loss on listed equity securities at FVPL		
– Change in fair value	**(2,589)**	(1,169)
– Realised loss*	**(658)**	(904)
	(3,247)	(2,073)

* The amount represented the proceeds from the disposal of listed equity securities of approximately HK$38,338,000 *(2019: approximately HK$58,774,000)* less relevant costs and carrying value of the listed equity securities sold of approximately HK$38,996,000 *(2019: approximately HK$59,678,000)*.

5. OTHER REVENUE AND GAINS

	2020	2019
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	**60**	119
Other interest income	**750**	750
Management fee income	**216**	216
Write-off of other payables	**89**	–
	1,115	1,085
Other gains		
Exchange gain, net	**5**	5

6. PROFIT BEFORE TAX

This is stated after charging:

	2020 *HK$'000*	2019 *HK$'000*
Finance costs		
Interest on bank borrowings	**679**	640
Staff costs (including directors' remuneration)		
Salaries, allowances and other benefits in kind	**5,017**	6,902
Contributions to defined contribution plans	**88**	69
Total staff costs	**5,105**	6,971
Other items		
Auditor's remuneration	**600**	650
Depreciation		
– Property, plant and equipment	**343**	773
– Right-of-use assets	**428**	–
Direct operating expenses arising from investment properties that generated leasing income	**142**	150
Expenses recognised under short-term leases	**651**	644
Net impairment loss recognised in respect of financial assets at amortised costs		
– Accounts receivable	**1,058**	2,266
– Loan receivables	**236**	82
– Deposits and other receivables	**43**	2,331
Write-off of deposits paid for acquisition of property, plant and equipment (included in "Administrative and other operating expenses")	**364**	–

7. INCOME TAX

	2020 *HK$'000*	2019 *HK$'000*
Current Tax		
Hong Kong Profits Tax		
Current year	**567**	–
Over-provision in prior year	**(829)**	–
	(262)	–
PRC Enterprise Income Tax ("EIT")	**–**	3
Deferred taxation		
Charge in temporary differences	**(36)**	95
Income tax (credit) expense for the year	**(298)**	98

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which entities in the Group and domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax under these jurisdictions.

The two-tiered profits tax rates regime in Hong Kong is applicable to years of assessment beginning on or after 1 April 2018, under which, the profit tax rate for the first HK$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2,000,000 will continue be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the years ended 30 April 2020 and 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime.

PRC EIT has not been provided for the years ended 30 April 2020 as the Group's entities in the PRC incurred a loss for taxation purposes.

PRC EIT is calculated at the standard rate of 25% on the estimated assessable income for the year ended 30 April 2019 as determined in accordance with the relevant income tax rules and regulations of the PRC.

8. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 30 April 2020 (2019: Nil). The directors of the Company do not recommend for payment of a final dividend for the year ended 30 April 2020 (2019: Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the current and prior year is based on profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share were same as the basic earnings per share as there were no potentially dilutive ordinary shares in existence during the years ended 30 April 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

Earnings

	2020	2019
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	**10,218**	22,160

Number of shares

	2020	2019
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**192,189,833**	192,189,833

10. ACCOUNTS RECEIVABLE

	2020	2019
	HK$'000	*HK$'000*
Accounts receivable		
From third parties	**43,850**	38,419
Less: Loss allowance	**(5,836)**	(4,778)
	38,014	33,641

The ageing of accounts receivable based on invoice date, net of loss allowance for expected credit losses, at the end of each reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**2,801**	6,300
31 to 60 days	**10,171**	6,482
61 to 90 days	**1,402**	9,842
91 to 180 days	**4,414**	9,261
Over 180 days	**19,226**	1,756
	38,014	33,641

At the end of the reporting period, the ageing analysis of accounts receivable, net of loss allowance for expected credit losses, by due date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Not past due	**17,026**	31,531
Past due:		
Less than 30 days	**1,207**	52
31 to 60 days	**706**	52
61 to 90 days	**6,239**	52
91 to 180 days	**1,997**	1,954
Over 180 days	**10,839**	–
	20,988	2,110
	38,014	33,641

The Group generally allows an average credit period range from 30 to 180 days (2019: 30 to 180 days) to its customers. The Group does not hold any collateral over these balances.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

Our Businesses are Operated Synergistically with Each Other

Although we report in segments, the Group is operated in a way so that we achieve synergistic value amongst these segments, in order to generate higher returns and greater business opportunities. Therefore, while our segments are reported separately for the purpose of resources allocation and performance assessment, our management and operations frequently view and assess them as one business synergistically with each other.

A huge one-off impact on the Hong Kong economy during the Current Year: The 12 Months of the Current Year coincided with almost unheard-of magnitudes of negative economic impact for many Hong Kong businesses

As is commonly acknowledged, the 12-month period of the current year ended 30 April 2020 has been a period of hugely negative economic impact for many businesses in Hong Kong, because it overlapped almost entirely with major social unrest from approximately June 2019 until approximately January 2020, and then the economic devastation brought about by COVID-19 since approximately January 2020. Many Hong Kong businesses have therefore experienced significant loss or significant reduction in profit, together with significant revenue decrease during this period.

Notwithstanding this huge devastation to the Hong Kong economy, other than non-Cash Property Valuation, we have achieved turnaround to Increased Revenue and Profit for 3 Consecutive Years

We are pleased that our business model has enabled us to be nimble and adaptive in the face of very adverse market conditions. This has benefitted us during the economic difficulties of the current year.

Excluding the effect of non-cash property valuations, this business strategy has successfully generated higher revenue and profit for 3 consecutive years. This maintains our turnaround to profit that commenced during the year ended 30 April 2018, which continued during the year ended 30 April 2019, and then the current year ended 30 April 2020.

During the year, the Group recorded revenue of approximately HK$34.0 million (2019: approximately HK$34.0 million) and profit for the year of approximately HK$10.2 million (2019: approximately HK$22.2 million) This continues the Group's successful record of profit following its turnaround during the years ended 30 April 2018 and 30 April 2019.

One-off impact upon our Revenue growth

The Group believes that the major social unrest followed by COVID-19 during almost the entire 12 months of the current year are one-off macro-economic occurrences. The Group therefore believes that the impact upon its revenue growth during the current year is a one-off situation.

Reduced Profit during the Current Year is mainly due to last year's non-cash Property Valuation gain

The decreased profit for the current year reflects a decrease in fair value of investment properties, being a non-cash item. Likewise, such higher profit for the year ended 30 April 2019 reflected an increase in the fair value of investment properties that was recorded for that year.

Excluding non-Cash Property Valuation, we achieved higher Profit during the Current Year

When such changes in fair value of investment properties, being non-cash items, are excluded, we are pleased to see that the Group recorded profit for the year of approximately HK$11.0 million, which is approximately about 1.6 times higher than that for the year ended 30 April 2019 (2019: approximately HK$6.8 million), continuing the Group's turnaround to profit notwithstanding the serious adverse impact of the unforeseen ongoing large-scale social unrest in Hong Kong and COVID-19 during almost the entire 12 months of the current year.

In the face of the economy's serious drop, we have succeeded in achieving increased Profit from Technology-related Business, especially due to our adjusting to new Business and Social Paradigms resulting from COVID-19: Fintech, Cloud and Virtual Technology

In light of work, travel and social challenges resulting from social unrest and COVID-19, traditional business demands have been negatively impacted. However, our experience in fintech, cloud and virtual technologies has strengthened us to meet new business and social paradigms that resulted from COVID-19. This has therefore enabled us to achieve approximately similar revenue in the current year as compared to last year, even though the economy has a whole has greatly suffered. This has also resulted in higher profit after excluding non-cash property valuation impact.

Our fintech, cloud and virtual technology skill sets covers areas such as education technology, virtual event technology, and biotech/ life sciences technology. We will seek to pursue more businesses in these newer paradigms of technology post-COVID-19 during the coming year.

Other areas of our business and experience offer potentially undervalued investment opportunities at this time

Food & Beverage undervalued opportunities: We have significant experience in food & beverage operations, and we now see potentially undervalued investment opportunities in this area as a result of the social unrest and COVID-19. We are therefore seeking to explore opportunities to extend our business to the food & beverage sector, especially where we are able to apply our technologies for newer paradigms of food & beverage operations, and may pursue appropriate investments if we secure favourable terms.

Property undervalued opportunities: We are pleased that we have seen relatively similar valuation for our investment properties during the current year, instead of valuation decreases that have been seen in some areas of Hong Kong. We believe that this is due to our strategy to identify high quality properties and to manage them with high quality management service. Overall, we seek to explore reducing the weighting of our properties at the right time and right valuations. At the same time, we will seek to explore further investment in property where we believe that there are undervalued opportunities, both in Hong Kong and regionally outside Hong Kong.

Securities reduction of weighting: We have reduced the weighting of our securities business. The Group recorded gross proceeds from the trading of securities of approximately HK$38.3 million (2019: approximately HK$58.8 million). The aggregate of our revenue and such gross proceeds is approximately HK$75.6 million (2019: approximately HK$94.8 million).

Growth in the face of Overall One-Off Devastating Market Conditions

Amid the ongoing large-scale violent and intensified protests in Hong Kong in during most of the current year ended 30 April 2020, there inevitably has been significant impact on market and business sentiment, resulting in very significant economic downturn. The arrival of this period of social unrest in June 2019, the length of the period of social unrest, and the continuing escalation and intensification of the violence, were all unforeseen both by us and by the general market and society as a whole.

This social unrest has seen curbing of property transactions and property values, and dampening of rental values. The violence has driven away shoppers, diners, tourists and business travelers, significantly affecting food & beverage consumption, seriously affecting Hong Kong businesses, and resulting in much reduced interaction. Some overseas and Hong Kong business associates have taken a "wait and see" approach to Hong Kong, therefore affecting the revenue and profit that we otherwise would have wished to be have recorded during the period under review. A number of countries have issued travel advisories and urged their nationals to exercise increased caution when travelling to Hong Kong.

BUSINESS REVIEW

One-off huge negative and unexpected macro impact during the current year, affecting the Group's revenue and business performance

The Group believes that the sudden and unexpected impact of the social unrest COVID-19 during almost the entire 12 months of the current year has had a significant one-off impact upon its business, revenue and profit.

Nevertheless, the Group has striven to overcome this one-off impact, to apply its technology business experience to meet the newer business needs resulting from the COVID-19 paradigm. The Group believes that the coming year will see growth in revenue brought about by the Group's technology business groundwork during the current year ended 30 April 2020.

Main contributor to revenue and profit – Technology & Management and new COVID-19 business paradigms

Our main contributor to revenue and profit during the current year has been our Technology & Management operations. This focuses, amongst others, on many newer paradigms resulting from COVID-19, e.g., fintech, cloud, distance business and virtual technologies, providing full one-stop service support to our clients to analyse, design, develop, operate and maintain integrated e-commerce and other online commercial, educational and biotech platforms and products. We expect increasing growth in this sector following the impact of COVID-19. Notwithstanding the unforeseen and violent social unrest, where many companies have adopted a "wait and see" approach, our technology & media business recorded revenue of approximately HK$30.7 million (2019: approximately HK$29.7 million) with gain for the period of approximately HK$23.9 million (2019: profit of approximately HK$21.6 million). As the Group has taken new initiatives to seek to explore and expand this business following the recent social unrest and COVID-19, we envisage that the revenue and profit of this business will see continuing growth during the upcoming year.

Other areas

Our Property operations are managed with a two-pronged approach of value gain and rental income to optimize value creation for our shareholders. We have continued to manage our operations by identifying optimal opportunities to acquire, manage and operate undervalued properties, including (i) commercial properties (retail and offices), especially in Kowloon East CBD, in line with the government's CBD 2.0 policy to transform Kowloon East, (ii) residential properties, especially at prime locations, and (iii) carpark properties, especially at locations with a low carpark density. These properties are located at regional locations that we believe are considered to be higher quality for property demand, primarily in Hong Kong, but also in the PRC and Macau. These properties are acquired, managed, operated and disposed for both value gain and rental income strategies. As a result, (a) income from our properties can be from both disposal proceeds as well as from rental receipts, and (b) fair value gains from our properties are recorded and contribute towards profit for the period.

Rental income for the year has been fairly steady at approximately HK$4.9 million (2019: approximately HK$5.1 million). As many property values in Hong Kong have been seriously affected by the recent social unrest, we are pleased to record only a very slight decrease in unrealized fair value of investment properties during the year, being approximately HK$0.8 million decrease (2019: gain of approximately HK$15.3 million). This slight decrease is approximately 0.3% of the HK$246.7 million fair value of investment properties as at 30 April 2019. We recorded approximately HK$3.4 million gain for the year in our property business (2019: gain of approximately HK19.6 million), which includes the non-cash impact on fair value of investment properties. When such changes in fair value of investment properties are excluded, our property business recorded stable profit: HK$4.2 million in profit during the year (2019: approximately HK$4.3 million).

Given market conditions, we believe that the optimum times and values for disposing of selected properties may be during the coming year, however we also believe that there would be undervalued opportunities regionally outside Hong Kong.

Our Financial operations provides financial and management related services, including to clients with cross-border expansion or activities in Hong Kong, the PRC and Korea. During the year, we recorded revenue of approximately HK$1.1 million (2019: approximately HK$0.7 million), resulting in profit of approximately HK$0.4 million (2019: loss of approximately HK$0.4 million). We are currently seeking opportunities to increase the weighting in this business, especially in relation to clients where we will contribute a combination of our financial & management, and technology & media services.

We have been reducing the weighting of our Securities operations, which invest in a diversified portfolio of securities that are listed on recognised stock exchanges with a potential for earnings growth and capital appreciation. Our strategy is to generate and preserve shareholder value, and we do so by adopting a prudent investment policy to invest in securities that have long-term growth potential. We recorded revenue from this business, including net realised and unrealised loss of securities, of approximately HK$2.6 million (2019: loss of approximately HK$1.6 million).

RISKS AND UNCERTAINTIES

The Group is exposed to the risk of negative, volatile or of uncertain developments, including but not limited to negative, volatile or uncertain developments in the global, regional and local economies, in the financial and property markets, and in the changes in patterns of consumption. These developments might reduce revenue or result in reduced valuations of the Group's investment properties or in the Group being unable to meet its strategic objectives or in negative effect to its financial condition, results of operations and businesses. The Company will continue to adopt prudent financial policies to cope with the impact of uncertain factors.

FUND RAISING EXERCISES

The Company did not have any equity fund raising activity during the year.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the year.

SIGNIFICANT INVESTMENT

The Group had the following significant investment of carrying value of 5% or more of the total assets as at 30 April 2020:

Claman Global Limited ("Claman") is a company incorporated in the British Virgin Islands with limited liability. Claman and its subsidiary are engaged in the financial technology industry including in relation to crowdfunding and technologies and services that seek to increase the efficiency of online financial transactions. On 26 September 2016, a wholly-owned subsidiary of the Company, Vongroup Investment Holdings Limited ("VIHL"), entered into a subscription agreement with Claman, pursuant to which VIHL conditionally agreed to subscribe for and Claman conditionally agreed to issue and allot 29% of the issued share capital of Claman (approximately 22.48% of the enlarged issued share capital of Claman) at the consideration of HK$29,000,000, which was satisfied by allotting and issuing 23,349,436 shares of the Company at the issue price of HK$1.242 per share. Currently, the Group is engaged in discussions in relation to a potential transaction with a view to increase its shareholding in Claman. No agreement has been reached as to the terms of the possible Investment as at date of this announcement. Further details of the above are set out in the Company's announcements dated 26 September 2016 and 8 July 2020.

As at 30 April 2020, the carrying value of Claman as financial assets at FVOCI of the Group was approximately HK$23.8 million (2019: approximately HK$23.5 million). For the year ended 30 April 2020, a fair value gain of approximately HK$0.3 million (2019: a fair value loss of approximately HK$15.5 million) was recognised in financial assets at FVOCI reserve.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained cash and bank balances as at 30 April 2020 amounting to approximately HK$19.6 million (2019: approximately HK$34.4 million). The Group's current ratio as at 30 April 2020 was 4.2 (2019: 3.9). The total equity of the Group amounted to approximately HK$391.7 million (2019: approximately HK$383.1 million) as at 30 April 2020.

Gearing

The gearing ratio, as a ratio of bank borrowings to total equity, was 0.06 as at 30 April 2020 (2019: 0.07).

Exchange Rate Exposure

The Group's assets, liabilities and cash flow from operations are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The Group currently does not have any related foreign exchange hedges, however the Company monitors its foreign exchange exposure and will consider hedges should the need arise.

Treasury Policies

The Group generally finances its operations with internally generated resources and bank borrowings. The interest rates of borrowings, if applicable, are generally charged by reference to prevailing market rates.

As at 30 April 2020, there were bank borrowings, which were denominated in Hong Kong dollars, of approximately HK$24.3 million (2019: approximately HK$26.3 million). All bank borrowings were subject to interest rate of 0.7%-1.5% per annum over 1-month to 3-month HIBOR, and capped at 2.45%-2.7% per annum below prime rate. The bank borrowings that are not repayable within one year from the end of the reporting period but contains a repayment on demand clause and therefore all bank borrowings were classified into current liabilities of the Group.

Contingent Liabilities

As at 30 April 2020, the Group did not have any material contingent liability (2019: Nil).

Pledge of assets

As at 30 April 2020, the bank borrowings are secured and guaranteed by investment properties of the Group with an aggregate net carrying amount of approximately HK$121.3 million (2019: approximately HK$121.1 million) and leasehold land and buildings with an aggregate net carrying amount of approximately HK$11.6 million (2019: approximately HK$12.0 million).

Commitments

The Group had no capital commitments during the year (2019: nil).

FUTURE PROSPECTS

One-off negative economic impact during the current year ended 30 April 2020

We are delighted that with our continued successful generation of profit for the year, following on from our turnaround during the year ended 30 April 2018 and 30 April 2019, we believe that we are well-positioned for continued future growth, notwithstanding that we would have wished for substantially higher revenue and profit if it were not for the huge economic downturn brought on by the unforeseen and violent social unrest and COVID-19 during almost the entire 12 months of the current year. We believe that this is a one-off negative impact.

We have witnessed new COVID-19 business paradigm demands for our technology expertise

We also believe that our ability to generate higher profit, after excluding non-cash property valuation impact, during the current year is in no small part due to the way that we operate synergistic operations, with management and operational staff who have significant experience in inter-disciplinary business management and operations. Also, we attribute this to the way that our technology business has significant experience in fintech, cloud and virtual technologies, and distance business, which all now and are expected to continue to be in significant demand in the new COVID-19 business and social paradigm.

Undervalued Acquisition Opportunities

The Group is pursuing a strategy of pursuing a number of projects where asset values are favourable, and where our experience and expertise would bring added value, and also which would enable us to comfortably develop and grow our businesses in the uncertain times ahead. This includes undervalued opportunities in regional property as well as in food & beverage.

This might not be the time for a single-product focus

We believe that it is during these difficult times that the experience and expertise of our management will be demonstrated, and that we are well-positioned for continued future growth, notwithstanding the uncertainties presented in the global and local business environment, including current trade wars and recent social unrest in Hong Kong. We believe that this might not be the time for a traditional single-product business to focus on one product and not diversify to hedge against fluctuating market conditions and demands resulting from COVID-19.

Business growth opportunities in EdTech, BioTech, Virtual Tech, FinTech and CloudTech

In our technology & management operations, we are very excited to see that we have succeeded in technology business needs brought about by COVID-19. We will actively seek to continue to put resources into these operations to aim to generate higher revenue and profit during the coming year. We would have wished for higher revenue and profit during the year were it not for the economic downturn brought about by the unforeseen and violent social unrest and COVID-19. However, nimble adaptation to distance business, education technology, and virtual and cloud technology has enabled us to step up to maintain approximately similar levels of revenue, and higher profit excluding non-cash property valuation impact. We seek to continue and grow upon this in the coming year.

Property

In our property operations, we will continue to closely monitor the market and determine the optimum times for reducing our weighting in Hong Kong. Our properties are generally not located at or near the hotspots of social unrest, therefore their values have not been significantly affected. Our gearing ratio on all properties is currently relatively low and highly conservative, with bank borrowing to property value ratio of only approximately 9.5% (30 April 2019: approximately 10.2%), representing only approximately HK$24.3 million of bank borrowings (30 April 2019: approximately HK$26.3 million), as compared with the aggregate of investment property value and property held for own use of approximately HK$257.0 million (30 April 2019: approximately HK$258.7 million). Our gearing ratio against total equity is approximately 6% (30 April 2019: approximately 7%). Therefore, we intend during the coming year to take advantage of currently low interest rates to cautiously increase our gearing ratio within prudent levels. We also intend to explore regional undervalued opportunities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 April 2020, the Group had 30 (2019: 19) employees in Hong Kong and the PRC. The Group has not experienced any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare, share options and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 April 2020.

CORPORATE GOVERNANCE REPORT

During the year, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code"), except for the deviation from code provisions A.2.1, A.4.1 and A.6.7 of the Code as described below.

Under code provision A.2.1 of the Code, the role of chairman and chief executive officer ("CEO") should be performed by different individuals. Since September 2005, Mr. Vong Tat Ieong David, who is a Director and CEO of the Company, has also carried out the responsibilities of the chairman of the Company. The Board considers the present structure is more suitable to the Company for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Company's development strategies.

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors of the Company, including the independent non-executive Directors, are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years as specified in the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Under code provision A.6.7 of the Code, independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. There are three independent non-executive Directors of the Company and they were unable to attend the 2019 annual general meeting of the Company held on 30 September 2019 due to their engagement in other commitments.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the directors (the "Model Code"). Having made specific enquiry with all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions during the year.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. Amongst other duties, the principal duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company.

The Group's final results for the year ended 30 April 2020 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

With reference to the Company's announcement dated 26 June 2020, HLB Hodgson Impey Cheng Limited ("HLB") has resigned as the auditor of the Company with effect from 26 June 2020. HLB stated in its resignation letter that in reaching a conclusion on resignation, it took into account many factors including the professional risk associated with the audit and the level of audit fees. HLB has confirmed in its letter of resignation that there are no circumstances in relation to the change of the auditors of the Company that should be brought to the attention of the shareholders of the Company. The Board confirmed that there are no matters in respect of the change of the auditor which should be brought to the attention of the shareholders of the Company. The Board, with the recommendation from the Company's Audit Committee, has appointed Mazars CPA Limited ("Mazars") as the auditor of the Company with effect from 26 June 2020 to fill the casual vacancy following the resignation of HLB and to hold the office as auditor until the conclusion of the next annual general meeting of the Company.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 April 2020 as set out in this announcement have been agreed by the Group's auditor, Mazars, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.thevongroup.com). The Company's 2020 annual report containing all the information required by the Listing Rules will be despatched to shareholders and will be available on the above websites in due course.

By Order of the Board
VONGROUP LIMITED
Vong Tat Ieong David
Executive Director

Hong Kong, 31 July 2020

As at the date of this announcement, the board of the Company comprises two executive Directors, namely: Vong Tat Ieong David and Xu Siping; and three independent non-executive Directors, namely: Fung Ka Keung David, Lam Lee G., and Wong Man Ngar Edna.

* *For identification purpose only*