



VSTECS Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0856.HK)

VSTECS Releases 2020 Interim Results

Enterprise Services Business Surges & Net Profit Hits Record High

Highlights of 2020 Interim Results

- Net profit recorded approximately HK\$421 million, up about 7.5% as compared with corresponding period last year;
- Turnover recorded approximately HK\$28.8 billion;
- Gross profit recorded approximately HK\$1.37 billion;
- Basic EPS was about HK29.77 cents, increased by about 8.0% as compared with the corresponding period last year

(25th August 2020 - Hong Kong) **VSTECS Holdings Limited** (“**VSTECS**” or “**the Group**”, stock code: 0856.HK), a leading IT products channel development and technical solution integrated services provider in Asia Pacific, is pleased to announce today its 2020 interim results for six months as of June 30, 2020 .

VSTECS achieved scalability growth in its enterprise systems segment (including servers, network security products, security service businesses, etc.) by optimized its business structure to realize record high in net profit, under the new wave of global

industrial digital development engendered by the outbreak of the Covid-19 epidemic. During the period under review, the revenue of the Group was approximately HK\$28.8 billion (corresponding period in 2019: HK\$30 billion), the gross profit was about HK\$1.37 billion (corresponding period in 2019: HK\$1.43 billion), the operating profit was approximately HK\$580 million (corresponding period in 2019: HK\$595 million). The unaudited consolidated net profit attributable to equity holders increased by 7.5% to HK\$421 million (corresponding period in 2019: HK\$392 million). Basic earnings per share for the reporting period increased by 8.0% to HK29.77 cents per share (corresponding period in 2019: HK27.56 cents).

In terms of segment, the Group's revenue from the enterprise systems segment increased by 14% to HK\$12.4 billion, representing 43% of the total Group revenue; revenue from the cloud computing segment increased by 20% to HK\$709 million, contributing 2% of the total Group revenue; revenue from the consumer electronics segment amounted to HK\$11.1billion, representing 39% of the total Group revenue; and revenue from component segment was HK\$4.6 billion, contributing 16% of the total Group revenue.

Geographically, revenue generated in North Asia was about HK\$22.2 billion, and the revenue from Southeast Asia recorded HK\$6.6billion. North Asia and Southeast Asia contributed 77% and 23% to the total Group revenue, respectively.

1. Deepen the business layout of cloud computing and digital transformation; providing full life cycle services for enterprise customers

In recent years, VSTECS has progressively built a service business with a full cycle product system covering the entire region, the entire industry, the whole range of product portfolio. It will be a solid foundation and strong guarantee for the Group to generate an explosive growth in the To B enterprise business market covering cloud computing, big data, and digital transformation, etc. The Group has successively established close cooperative relationships with cloud vendors such as Alibaba Cloud, Huawei Cloud, Amazon AWS, Microsoft Azure, JD Cloud, and VMware, etc. Collaborating with independent R&D, the cloud segment can deliver leading products, technologies, solutions and services to help industrial upgrading and the

implementation of comprehensive cloud. In the first half of 2020, the Group's Alibaba Cloud business developed rapidly, with a strong growth in turnover of both cloud resale and cloud management services. VSTECS self-developed OA product passed the compatibility certification of the two large domestic operating systems, Kylin and Uniontech. After the launching of SAAS OA, its users exceeded 10,000 in just half year. Beijing VSTECS Information Technology Service Co., Ltd. has obtained the certificate of second level capability and maturity in operation and maintenance services issued by the Information Technology Service Sub-association of China Electronics Standardization Association.

2020 marks the first year of the information technology application innovation industry. In the first half, VSTECS secured many large orders in the basic hardware, basic software and industry application software in the information technology application innovation segment, with products included H3C, Lenovo Server, Ruijie, Inspur, Huawei, CVTE, etc., services customers including Bank of China, BMW, Shandong Gold Group, Guian New District Administration Committee, Guizhou Big Data Bureau, Chinasoft, and Neusoft Group, etc..

2. Scalability growth in enterprise systems business and significant improvement in profitability

The Group is also the largest security product general distributor in China. It has built close cooperation with mainstream network security vendors, such as NSFOCUS, QIANXIN, Hillstone, etc. It has provided a full range of network security products and the best enterprise application security solutions for more than 100,000 customers in over 3,000 channels across the country (including government, operator, finance, energy, e-commerce, education, medical and other industries). In the first half of 2020, VSTECS achieved a more-than-expected rapid growth in the network security segment. The businesses in cooperation with NSFOCUS and QIANXIN achieved the growth rates of about 270% and 75%, respectively, becoming one of the fastest growing business segments.

3. Excellent supply chain and capital management capabilities to maintain outstanding profitability in pandemic

Under the Covid-19 epidemic, the Group's maintained operating efficiency far

exceeded international standard. Inventory turnover days and working capital days were significantly superior to the industry standards. Capital management capabilities provide stable support for business development through the financial capital management system, and the capital cost is significantly lower than the industry. In the first half, the Group managed to improve efficiency and drive net profit to achieve another record high to HK\$421 million.

Due to the epidemic, the needs of some products and the delivery of services from domestic and Southeast Asia customers were delayed, negatively affecting the company's turnover performance in first half. With the global pandemic situation gradually under control, especially after China and Southeast Asia countries took the lead to control the pandemic situation, customers demand rose significantly in the second quarter and is expected to have a swift rebound in the second half of the year.

4. With the cloud services business extending to the Southeast Asia market, the company helps the industry digital transformation along the One Belt One Road countries

At the moment, VSTECS has successfully established an IT ecological network covering over 50,000 channel partners in nine countries in the Asia Pacific region, and accumulatively provided over one million enterprises with cloud-to-end products, technologies, solutions and services required for digitalization, and the basic network ecological layout of VSTECS' cloud business has basically been accomplished. Recently, VSTECS (Thailand) has been awarded with the best service partner of the year by Microsoft and Red Hat, and VSTECS (Singapore) has become the distributor of Alibaba Cloud, and the digital service channel upgrade of the Southeast Asia market has been completed. Looking forward, VSTECS Cloud will further expand domestic and overseas markets with its complete and huge ecology, and it helps the industrial digital transformation upgrade along the One Belt One Road countries.

Mr. Li Jialin, Chairman of VSTECS Holdings Limited said, "VSTECS will continue to deepen its business in 'cloud computing + big data + AI'. Riding on the wave of 5G and new infrastructure, the business in relation to information technology application innovation and cloud services will enter a period of robust growth."

About VSTECS Holdings Limited

Established in 1991, VSTECS Holdings Limited (“VSTECS”) is the leading IT products channel development and technical solution integrated services provider in Asia Pacific. VSTECS has four business segments: enterprise systems, cloud computing, consumer electronics and components. The portfolio of products of VSTECS comprises of 12 fields, including cloud services, mobile internet, system equipment, software, information security, network infrastructure, data storage, computer components, Internet of things application, gaming, drones and virtual reality products. VSTECS has strategic partnership with over 300 global top 500 technology companies for upstream vendors and over 50,000 downstream channel partners. VSTECS has 87 offices in nine countries, namely China, Thailand, Malaysia, Singapore, Indonesia, Cambodia, Myanmar, Laos and the Philippines.

For more information, please visit the company’s website: www.vstecs.com.

This press release is distributed by Wonderful Sky Financial Group Holdings Limited on behalf of VSTECS Holdings Limited.

Media contact:

Wonderful Sky Financial Group Holdings Limited

Cecilia Ip / Heidi Li

Tel: (852) 3641 1317 / (852) 3970 2223

Email: vstecs@wsfg.hk