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VONGROUP LIMITED

黃河實業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 318)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

The board of directors (the “Board” or “Directors”) of Vongroup Limited (the “Company”) wishes to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2017, together with the comparative figures for the corresponding period of the previous year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2017

	Note	Six months ended 31 October (unaudited)	
		2017 HK\$'000	2016 HK\$'000
Turnover	4	7,159	6,199
Other revenue and net gains	4	460	500
Staff costs		(2,620)	(3,780)
Operating lease rentals		(293)	(293)
Depreciation and amortisation		(383)	(266)
Other expenses		(8,304)	(4,707)
Change in fair value of investment properties		2,938	890
Loss from operations	5	(1,043)	(1,457)
Finance costs	6	(254)	(229)
Loss before taxation		(1,297)	(1,686)
Income tax	7	(60)	(27)
Loss for the period		(1,357)	(1,713)
Other comprehensive income/(expense)			
Exchange differences arising on translation of foreign operations		995	(1,365)
Total comprehensive expense for the period		(362)	(3,078)
Loss for the period attributable to:			
Owners of the Company		(1,357)	(1,713)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(362)	(3,078)
Loss per share			
Basic and diluted	9	HK\$(0.0071)	HK\$(0.0098)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2017

	<i>Note</i>	31 October 2017 <i>HK\$'000</i> (unaudited)	30 April 2017 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		14,665	14,024
Investment properties		197,265	193,939
Deposits paid for acquisition of property, plant and equipment		367	367
Available-for-sale investments		48,499	48,499
		<u>260,796</u>	<u>256,829</u>
Current assets			
Inventories		1,947	1,947
Forfeited collateral held for sale		731	699
Accounts receivable	10	1,050	4,050
Loans and advances to money lending customers		14,424	15,664
Deposits, prepayments and other receivables		39,384	38,912
Financial assets at fair value through profit or loss	11	23,090	21,483
Cash and bank balances		34,950	36,676
		<u>115,576</u>	<u>119,431</u>
Current liabilities			
Accruals and deposits received		4,315	2,886
Bank borrowings		29,125	30,140
Tax payable		829	829
		<u>34,269</u>	<u>33,855</u>
Net current assets		<u>81,307</u>	<u>85,576</u>
Total assets less current liabilities		<u>342,103</u>	<u>342,405</u>
Non-current liabilities			
Deferred tax liabilities		671	611
NET ASSETS		<u><u>341,432</u></u>	<u><u>341,794</u></u>
Capital and reserves			
Share capital		7,688	7,688
Reserves		333,744	334,106
TOTAL EQUITY		<u><u>341,432</u></u>	<u><u>341,794</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2017

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and financial assets at fair value through profit or loss, which are measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2017.

Adoption of new or revised HKFRSs effective in the current period

In the current period, the Group has adopted all the new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning 1 May 2017. The adoption of these new or revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s interim financial statements and amounts reported for the current period and prior periods.

The Group has not applied the new or revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new or revised HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group’s executive directors, being the Group’s chief operating decision maker (“CODM”) for the purposes of resources allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

1.	Financial services:	Consumer finance, moneylending, other financial/business services and related activities
2.	Securities:	Securities and related activities
3.	Property:	Real property and related activities
4.	Technology & Media:	Technology & media and related activities
5.	Food & Beverage:	Catering services, other food & beverage businesses and related activities
6.	Corporate Treasury Management:	Management of treasury activities of the Group and related activities

(a) Segment revenue and results

For the purpose of assessing segment performance and allocating resources between segments, the Group’s CODM monitors the revenue and results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales or financing activities generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The following is an analysis of the Group's revenue and results from operations by reportable segments:

	Segment revenue (unaudited)		Segment profit/(loss) (unaudited)	
	Six months ended 31 October		Six months ended 31 October	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial Services	281	1,466	(108)	1,060
Securities	2,648	1,766	2,642	1,756
Property	1,640	2,799	4,176	3,369
Technology & Media	2,350	12	(2,438)	(1,191)
Food & Beverage	240	156	20	46
Corporate Treasury Management	3,587	4,055	–	–
Segment total	10,746	10,254	4,292	5,040
Elimination	(3,587)	(4,055)	–	–
Total	<u>7,159</u>	<u>6,199</u>	<u>4,292</u>	<u>5,040</u>
Unallocated items:				
Other revenue			442	421
Administrative and other operating expenses			(5,777)	(6,918)
Finance costs			(254)	(229)
Loss before taxation			(1,297)	(1,686)
Income tax			(60)	(27)
Loss for the period			<u>(1,357)</u>	<u>(1,713)</u>

(b) Geographical segments

The following table provides an analysis of the Group's segment revenue by geographical market.

	Six months ended 31 October (unaudited)	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong	6,903	5,917
Mainland China	256	282
Total	<u>7,159</u>	<u>6,199</u>

(c) Information about major customers

The Group has a wide customer base and no single customer (2016: two external customers of approximately HK\$620,000 and approximately HK\$782,000) contributed more than 10% of the Group's revenue for the six months ended 31 October 2017.

4. TURNOVER, OTHER REVENUE AND NET GAINS

The Group's turnover, other revenue and net gains for the period arose from the following activities:

	Six months ended 31 October (unaudited)	
	2017 HK\$'000	2016 HK\$'000
Turnover		
Income from financial services business	281	1,466
Net gain from securities business	2,648	1,766
Rental income from property business	1,640	2,799
Income from technology & media business	2,350	12
Income from food & beverage business	240	156
	<u>7,159</u>	<u>6,199</u>
Other revenue and net gains		
Bank interest income	50	62
Other interest income	375	378
Gain on disposal of property, plant and equipment	35	–
Exchange gain, net	–	4
Sundry income	–	56
	<u>460</u>	<u>500</u>

5. LOSS FROM OPERATIONS

The loss from operations is arrived at after charging/(crediting):

	Six months ended 31 October (unaudited)	
	2017 HK\$'000	2016 HK\$'000
Staff costs	2,620	3,780
Rental income from investment properties, net of direct outgoings HK\$137,000 (2016: HK\$85,000)	<u>(1,503)</u>	<u>(2,714)</u>

6. FINANCE COSTS

	Six months ended 31 October (unaudited)	
	2017 HK\$'000	2016 HK\$'000
Interest on bank borrowings	<u>254</u>	<u>229</u>

7. INCOME TAX

	Six months ended 31 October (unaudited)	
	2017 HK\$'000	2016 HK\$'000
Profits tax:		
PRC enterprise income tax	–	27
Deferred tax	60	–
Income tax charge for the period	<u>60</u>	<u>27</u>

No provision for profits tax in the Cayman Islands, British Virgin Islands and Hong Kong has been made as the Group has no income assessable for tax for the period in these jurisdictions (2016: Nil).

The provision for PRC enterprise income tax is calculated at the standard rate of 25% on the estimated assessable income for the period as determined in accordance with the relevant income tax rules and regulations of the PRC.

8. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2017 (2016: Nil).

9. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the period		
Loss for the purpose of basic and diluted loss per share	<u>(1,357)</u>	<u>(1,713)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>192,189,833</u>	<u>175,622,265</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the period ended 31 October 2016 has been adjusted for the issuance of consideration shares completed on 7 October 2016.

10. ACCOUNTS RECEIVABLE

The following aged analysis of the accounts receivable is based on contract dates:

	31 October 2017 <i>HK\$'000</i> (unaudited)	30 April 2017 <i>HK\$'000</i> (audited)
Recoverable on demand	<u>1,050</u>	<u>4,050</u>

Accounts receivable related to an independent customer for whom there was no recent history of default. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of the accounts receivable as there has no significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Group maintains a defined credit policy including stringent credit evaluation. Receivables are regularly reviewed and closely monitored to minimise any associated credit risk.

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Trading securities

	31 October 2017 <i>HK\$'000</i> (unaudited)	30 April 2017 <i>HK\$'000</i> (audited)
At fair value:		
Listed equity investments in Hong Kong (<i>note</i>)	<u>23,090</u>	<u>21,483</u>

Note: The fair value of the listed securities are determined by reference to their quoted market closing bid prices available on the relevant stock exchanges at the end of the reporting period.

During the period, the securities business recorded approximately HK\$2.65 million in segment revenue from a fairly diversified portfolio of listed investments, held for trading purposes.

During the period in review, these transactions did not constitute notifiable transactions pursuant to Chapter 14 of the Listing Rules.

12. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements have been reviewed with no disagreement by the Audit Committee of the Company and were approved and authorised for issue by the Board on 28 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the period under review, the Group generated revenue of approximately HK\$7.2 million (2016: approximately HK\$6.2 million), with a loss for the period of approximately HK\$1.4 million (2016: loss of approximately HK\$1.7 million). We have been working on seeking to expand and broaden the customer base for our Financial Services business in order to strengthen and diversify its income stream. Our Securities business has been continuing to achieve risk-adjusted returns under relatively volatile conditions in the global capital markets. Our Property business has seen an increase in unrealised fair value gain due to capital value appreciation. We recorded increased income in our Technology & Media business, and we are continuing to seek to diversify our business portfolios in Hong Kong and internationally, including media, fintech and entertainment and related technology services and products to enhance our income source. We have also recorded increased income from our Food & Beverage business, and we have been exploring further services and products to expand our income stream.

Business Review

Financial Services

During the period, the revenue of our financial services business was approximately HK\$281,000 (2016: approximately HK\$1,466,000) with business segment loss for the period of approximately HK\$108,000 (2016: profit of approximately HK\$1,060,000).

Securities

Our securities business recorded a net realised and unrealised profit on trading of securities investment of approximately HK\$2,648,000 (2016: profit of approximately HK\$1,766,000), which contributed a profit for our securities segment of approximately HK\$2,642,000 for the six months ended 31 October 2017 (2016: profit of approximately HK\$1,756,000).

Property

The revenue of the Group's property business segment was approximately HK\$1,640,000 (2016: approximately HK\$2,799,000). The business segment contributed a profit of approximately HK\$4,176,000 (2016: profit of approximately HK\$3,369,000) to the Group. Excluding the gain on unrealised fair value, the recurring profit of the property business segment would have been approximately HK\$1,238,000 (2016: approximately HK\$2,479,000).

Technology & Media

Our technology & media business recorded revenue of approximately HK\$2,350,000 (2016: approximately HK\$12,000) with business segment loss for the period of approximately HK\$2,438,000 (2016: loss of approximately HK\$1,191,000).

Food & Beverage

Our food & beverage business recorded revenue of approximately HK\$240,000 during the period (2016: approximately HK\$156,000), resulting in a segment profit of approximately HK\$20,000 (2016: profit of approximately HK\$46,000).

Prospects

The Group expects the global and local business environment to remain uncertain in the coming year. In addition to our core businesses, we intend to actively explore other potential investment opportunities to maximise shareholders' value and diversify business risk.

Financial Review

Liquidity and Financial Resources

The Group maintained cash and bank balances as at 31 October 2017 amounting to approximately HK\$35.0 million (30 April 2017: approximately HK\$36.7 million). The Group's current ratio as at 31 October 2017 was 3.5 (30 April 2017: 3.5). The total equity of the Group amounted to approximately HK\$341.4 million (30 April 2017: approximately HK\$341.8 million) as at 31 October 2017.

Gearing

The gearing ratio, as a ratio of bank borrowings to total equity, was 0.09 as at 31 October 2017 (30 April 2017: 0.09).

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

Employment and Remuneration Policy

As at 31 October 2017, the Group had 14 (30 April 2017: 14) 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.

OTHER INFORMATION

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 regarding directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standards set out in the Model Code during the six months ended 31 October 2017.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2017 (2016: nil).

Purchase, Sale or Redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Audit Committee

During the current period, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive directors, namely, Fung Ka Keung David, Lam Lee G. and Wong Man Ngar Edna. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 October 2017.

Compliance with the Code on Corporate Governance Practices

During the period under review, the Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules and periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code, except for the deviation from code provisions A.2.1, A.4.1 and A.6.7 of the CG Code as described below.

Under code provision A.2.1, the role of chairman and chief executive officer ("CEO") should be performed by different individuals. Since September 2005, 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, 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 provisions of the Company's articles of association. 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 CG Code.

Under code provision A.6.7, 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; they were unable to attend the 2017 annual general meeting of the Company held on 3 October 2017 due to their engagement with their other commitments.

By order of the Board
Vong Tat Jeong David
Executive Director

Hong Kong, 28 December 2017

As at the date of this announcement, the board of directors of the Company comprises two executive Directors, namely: Vong Tat Jeong 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*