

**VONGROUP LIMITED**

黃河實業有限公司

Stock Code: 318



**vongroup**

Interim Report **2009**

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The board of directors (the “Board” or “Directors”) of Vongroup Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2009, 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 2009

	Note	Unaudited Six months ended 31 October 2009 HK\$'000	2008 HK\$'000 (restated)
<b>Turnover</b>		<b>231,576</b>	219,892
<b>Revenue</b>	3	<b>61,291</b>	78,283
Other revenue		728	3,518
Other net income		15,290	–
Cost of inventories consumed		(16,980)	(28,676)
Cost of forfeited collateral sold		–	(196)
Staff costs		(20,420)	(22,635)
Operating lease rentals		(10,117)	(11,070)
Depreciation and amortisation		(1,593)	(1,954)
Other expenses		(34,844)	(50,971)
Change in fair value of investment properties		4,250	(6,800)
<b>Loss from operations</b>	4	<b>(2,395)</b>	(40,501)
Finance costs	5	(55)	(102)
Share of results of:			
Jointly-controlled entity		(130)	(226)
Associates		(853)	(123)
<b>Loss before taxation</b>		<b>(3,433)</b>	(40,952)
Income tax	6	(11)	(27)
<b>Loss for the period</b>		<b>(3,444)</b>	(40,979)
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		(122)	(132)
<b>Total comprehensive income for the period</b>		<b>(3,566)</b>	(41,111)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***(Continued)*

For the six months ended 31 October 2009

		<b>Unaudited Six months ended 31 October</b>	
	Note	<b>2009 HK\$'000</b>	2008 HK\$'000
			(restated)
<b>Loss for the period attributable to:</b>			
Equity holders of the Company		<b>(2,589)</b>	(38,846)
Minority interests		<b>(855)</b>	(2,133)
		<b>(3,444)</b>	(40,979)
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		<b>(2,711)</b>	(38,978)
Minority interests		<b>(855)</b>	(2,133)
		<b>(3,566)</b>	(41,111)
<b>Dividend</b>	7	<b>Nil</b>	Nil
<b>Loss per share</b>	8		
Basic and diluted		<b>(HK cents 0.04)</b>	(HK cents 0.66)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 October 2009

	Note	31 October 2009 HK\$'000 (unaudited)	30 April 2009 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	11,417	12,120
Lease premium for land		5,228	5,296
Investment properties	10	36,250	45,500
Goodwill		8,988	8,988
Interest in a jointly-controlled entity		1,790	2,080
Interests in associates	11	123,637	–
Rental and utility deposits		1,694	5,201
Deposits paid in respect of acquisition of investment properties		8,289	5,264
Available-for-sale investments		1,532	635
		<b>198,825</b>	<b>85,084</b>
<b>Current assets</b>			
Lease premium for land		135	135
Inventories		13,410	11,121
Forfeited collaterals held for sale		142	164
Accounts receivable	12	353	518
Moneylending loan receivables	13	9,525	1,824
Other receivables, deposits and prepayments	14	11,754	10,847
Amount due from a jointly-controlled entity		178	178
Financial assets at fair value through profit or loss	15	37,647	20,349
Pledged time deposit		707	703
Cash and cash equivalents		250,148	290,822
		<b>323,999</b>	<b>336,661</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(Continued)*

As at 31 October 2009

	Note	31 October 2009 HK\$'000 (unaudited)	30 April 2009 HK\$'000 (audited)
<b>Current liabilities</b>			
Accounts payable	16	7,222	7,308
Accruals and deposits received		121,069	14,374
Tax payables		19,561	19,561
Finance lease payables – current portion		276	270
Mortgage loans – current portion		870	858
Amount due to a director		–	830
		<b>148,998</b>	43,201
<b>Net current assets</b>		<b>175,001</b>	293,460
<b>Total assets less current liabilities</b>		<b>373,826</b>	378,544
<b>Non-current liabilities</b>			
Other payables		646	760
Finance lease payables – long-term portion		95	234
Mortgage loans – long-term portion		2,891	3,329
Deferred tax liabilities		591	591
		<b>4,223</b>	4,914
<b>NET ASSETS</b>		<b>369,603</b>	373,630
<b>Capital and reserves</b>			
Share capital	17	5,860	5,864
Reserves		353,938	357,106
		<b>359,798</b>	362,970
Minority interests		9,805	10,660
<b>TOTAL EQUITY</b>		<b>369,603</b>	373,630

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2009

	Unaudited								
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Statutory surplus reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 May 2008 (audited)	5,864	533,481	258	33	(2,970)	(131,989)	404,677	15,714	420,391
Loss for the period	-	-	-	-	-	(38,846)	(38,846)	(2,133)	(40,979)
Exchange difference arising on translation of foreign operations	-	-	-	-	(132)	-	(132)	-	(132)
Total comprehensive income for the period	-	-	-	-	(132)	(38,846)	(38,978)	(2,133)	(41,111)
At 31 October 2008	5,864	533,481	258	33	(3,102)	(170,835)	365,699	13,581	379,280

	Unaudited								
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Statutory surplus reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 May 2009 (audited)	5,864	533,481	258	124	552	(177,309)	362,970	10,660	373,630
Loss for the period	-	-	-	-	-	(2,589)	(2,589)	(855)	(3,444)
Exchange difference arising on translation of foreign operations	-	-	-	-	(122)	-	(122)	-	(122)
Total comprehensive income for the period	-	-	-	-	(122)	(2,589)	(2,711)	(855)	(3,566)
Cancellation on repurchase of own shares	(4)	(457)	-	-	-	-	(461)	-	(461)
At 31 October 2009	5,860	533,024	258	124	430	(179,898)	359,798	9,805	369,603

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 31 October 2009

	<b>Six months ended</b>	
	<b>31 October</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash (used in)/from operating activities	<b>(37,065)</b>	5,529
Net cash used in investing activities	<b>(2,560)</b>	(6,869)
Net cash (used in)/from financing activities	<b>(1,075)</b>	808
Net decrease in cash and cash equivalents	<b>(40,700)</b>	(532)
Cash and cash equivalents at beginning of period	<b>290,822</b>	327,214
Effect of foreign exchange rate changes	<b>26</b>	24
Cash and cash equivalents at end of period	<b>250,148</b>	326,706





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2009

### 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 on the historical cost basis except for investment properties and financial assets at fair value through profit or loss, which are measured at fair values.

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 2009.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

During this period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for accounting periods commencing on or after 1 April 2009. The adoption of these new standards and amendments has no material effect on how the results for the current and/or prior accounting periods are prepared and presented, except for the followings:

#### ***HKFRS 8 “Operating Segments”***

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with the predecessor standard, HKAS 14 “Segment Reporting”.

## 2. Summary of significant accounting policies (Continued)

### **HKAS 1 (revised 2007) "Presentation of Financial Statements"**

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

The Group has not early applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS3 (Revised in 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. The Directors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. Segment information

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segments; and (b) on a secondary segment reporting basis, by geographical segments.

### **Business segments**

The Group comprises the following main business segments:

Consumer finance:	Consumer finance business
Securities investment:	Trading of securities
Smart-card financial services:	Smart-card financial services business
Properties investment:	Investment properties business
Food & beverage	Food & beverage business

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the management in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The following table presents revenue and results for the Group's business segments.

## 3. Segment information (Continued)

	Unaudited											
	Consumer finance		Securities investment		Smart-card financial services		Properties investment		Food & beverage		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October		31 October		31 October		31 October	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(restated)						(restated)		(restated)
Segment Revenue:												
Revenue	493	1,058	-	-	-	-	339	204	60,459	77,021	61,291	78,283
Other revenue and net income	182	319	12,109	2,880	-	24	2,054	-	26	218	14,371	3,441
Total	675	1,377	12,109	2,880	-	24	2,393	204	60,485	77,239	75,662	81,724
Segment results	53	340	5,863	(22,109)	(3,643)	(2,486)	6,523	(6,636)	(6,451)	(5,331)	2,345	(36,222)
Unallocated other revenue											1,647	77
Unallocated expenses											(6,387)	(4,356)
Loss from operations											(2,395)	(40,501)
Finance costs											(55)	(102)
Share of results of: Jointly-controlled entity											(130)	(226)
Associates											(853)	(123)
Loss before taxation											(3,433)	(40,952)
Income tax											(11)	(27)
Loss for the period											(3,444)	(40,979)

### 3. Segment information (Continued)

#### Geographical segments

The following table presents revenue information for the Group's geographical segments:

	Unaudited					
	Hong Kong		PRC		Total	
	Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October	
	2009	2008	2009	2008	2009	2008
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(restated)			(restated)	
Revenue	<b>40,821</b>	56,133	<b>20,470</b>	22,150	<b>61,291</b>	78,283

### 4. Loss from operations

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

	Six months ended	
	31 October	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories consumed	<b>16,981</b>	28,676
Cost of forfeited collateral sold	–	196
Research and development costs*	<b>2,500</b>	–
Staff costs (including directors' remuneration)	<b>20,420</b>	22,635
Net realised (gain)/loss on financial assets at fair value through profit or loss	<b>(11,590)</b>	22,946
Net unrealised loss on financial assets at fair value through profit or loss	<b>1,220</b>	1,338
Net profit on disposal of property, plant and equipment and investment properties	<b>(3,482)</b>	–
Gross rental income from investment properties less direct outgoings HK\$12,000 (31 October 2008: HK\$5,000)	<b>(327)</b>	(199)
Bank interest income	<b>(186)</b>	(2,491)
Dividend income from listed securities	<b>(519)</b>	(848)

\* This item is included in other expenses

## 5. Finance costs

	<b>Six months ended</b>	
	<b>31 October</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on bank and mortgage loans	46	72
Interest on finance leases	9	28
Other interest paid	–	2
	<b>55</b>	<b>102</b>

## 6. Income tax

	<b>Six months ended</b>	
	<b>31 October</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profits tax:		
Current period provision – Hong Kong	–	–
Current period provision – outside Hong Kong	11	27
	<b>11</b>	<b>27</b>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the periods of six months ended respectively 31 October 2009 and 2008. Taxes on profits assessable outside Hong Kong during the period ended 31 October 2009 were calculated at the rate of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7. Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2009 (2008: nil).

## 8. Loss per share

The calculation of basic loss per share is based on the unaudited condensed consolidated loss for the six months ended 31 October 2009 of HK\$2,589,000 (six months ended 31 October 2008: loss of HK\$38,846,000) and on the weighted average number of 5,860,358,183 (six months ended 31 October 2008: 5,863,960,900) shares in issue during the current period.

Diluted loss per share is equal to basic loss per share as there were no dilutive potential ordinary shares in existence in both periods presented.

## 9. Property, plant and equipment

The movements in property, plant and equipment during the period are summarised as follows:

	HK\$'000 (unaudited)
Carrying values as at 1 May 2009 (audited)	12,120
Additions	2,583
Depreciation	(1,525)
Disposals	<u>(1,761)</u>
Carrying values as at 31 October 2009	<u>11,417</u>

## 10. Investment properties

The movements in investment properties during the period are summarised as follows:

	HK\$'000 (unaudited)
Carrying values as at 1 May 2009 (audited)	45,500
Disposals	(13,500)
Increase in fair value of investment properties	<u>4,250</u>
Carrying values as at 31 October 2009	<u>36,250</u>

An unrealised gain on increase in fair value of investment properties of HK\$4.25 million (six months ended 31 October 2008: loss of HK\$6.8 million) has been recognised in the condensed consolidated statement of comprehensive income. The fair value of the Group's investment properties as at 31 October 2009 has been arrived at on the basis of a valuation carried out by an independent valuer. The valuation of the Group's investment properties has been arrived at by using direct comparison method where comparison based on price information on comparable properties is made.

## 11. Interests in associates

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Goodwill	113,490	–
Share of net assets	9,648	–
Amount due from an associate	499	–
	<b>123,637</b>	–

Details of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Nominal value of issued share	Percentage of ownership interest	Principal activities
Tian Da Energy Holdings Limited	Corporate	British Virgin Islands/ People's Republic of China	Ordinary US\$112	20.54%	Research and development, production and sales and distribution of lithium-ion batteries

The above table lists the associate of the Group which, in the opinion of the Directors, principally affected the results for the period/year or formed a substantial portion of the net assets of the Group.

Summary of financial information of the associates:

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Total assets	13,465	–
Total liabilities	(3,280)	–
Net assets	10,185	–
Income	935	–
Expenses	(1,788)	–
Loss for the period/year	(853)	–

## 12. Accounts receivable

The general credit terms granted by the Group to its customers ranged from 30 to 90 days. An ageing analysis of the Group's accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Accounts receivable	<b>438</b>	603
Less: Allowance for doubtful debts	<b>(85)</b>	(85)
	<b>353</b>	518
	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Within 30 days	<b>322</b>	245
31-90 days	<b>29</b>	223
91-180 days	<b>2</b>	32
Over 180 days	<b>–</b>	18
	<b>353</b>	518



**12. Accounts receivable** (Continued)

The ageing analysis of accounts receivable that are not considered to be impaired is as follows:

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Neither past due nor impaired	351	468
1 to 3 months past due	2	32
3 to 6 months past due	–	14
Over 6 months, but less than 1 year past due	–	4
Over 1 year past due	–	–
	<b>2</b>	<b>50</b>
	<b>353</b>	<b>518</b>

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experiences, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

**Movement in the allowance for doubtful debts**

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Balance at beginning of the period/year	85	70
Impairment loss recognised on receivables	–	15
Balance at the end of the period/year	<b>85</b>	<b>85</b>

**12. Accounts receivable** *(Continued)****Movement in the allowance for doubtful debts*** *(Continued)*

Included in the allowance for doubtful debts made for the period/year are individually impaired trade receivable with a balance of HK\$nil (30 April 2009: HK\$15,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivable and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

***Ageing of impaired trade receivable***

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Over 180 days	–	15

**13. Moneylending loan receivables**

The Group offers loans to borrowers commonly known as moneylending loans. A typical moneylending loan generally has a term of 30 to 180 days.

**14. Other receivables, deposits and prepayments**

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Prepayments	<b>3,176</b>	3,824
Rental and other deposits	<b>4,559</b>	2,339
Staff advances	<b>81</b>	169
Others	<b>3,938</b>	4,515
	<b>11,754</b>	10,847

**15. Financial assets at fair value through profit or loss**

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
At fair value:		
Listed equity investments in Hong Kong	<b>36,850</b>	19,552
Listed equity investments outside Hong Kong	<b>797</b>	797
	<b>37,647</b>	20,349

**16. Accounts payable**

The ageing analysis of the Group's accounts payable is as follows:

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
0 – 30 days	<b>2,266</b>	2,487
31 – 90 days	<b>4,084</b>	3,453
91 – 180 days	<b>872</b>	917
181 – 360 days	–	18
Over 360 days	–	433
	<b>7,222</b>	7,308

**17. Share capital**

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.001 each		
<b>Authorised:</b>		
At 1 May 2008, 30 April 2009 and 31 October 2009	200,000,000,000	200,000
<b>Issued and fully paid:</b>		
At 1 May 2008 and 30 April 2009	5,863,960,900	5,864
Repurchased and cancelled	(4,100,000)	(4)
At 31 October 2009	5,859,860,900	5,860

## 18. Acquisition of an associate

On 3 July 2009, a wholly-owned subsidiary of the Company, Vongroup Financial Holdings Corporation ("VFHC") entered into a contract to acquire 20.54% of the issued share capital of Tian Da Energy Holdings Limited ("Tecroad HoldCo") for a total consideration of HK\$120 million.

The net assets acquired in the transaction are as follows:

	<b>Carrying amount and fair value of the acquiree</b> HK\$'000
Property, plant and equipment	46,512
Financial assets at fair value through profit or loss	1,648
Inventories	6,229
Accounts receivable	3
Other receivables, deposits and prepayments	8,881
Cash and cash equivalents	96
Accounts payable	(27)
Other payables and accruals	(857)
Short term loan	(11,364)
	<u>51,121</u>
20.54% of the issued share capital of Tecroad HoldCo	10,500
Goodwill on acquisition	113,490
	<u>123,990</u>
Total consideration	120,000
Direct expenses on acquisition	3,990
	<u>123,990</u>
<b>Satisfied by</b>	
Partial payment for acquisition of an associate	15,000
Payable for acquisition of an associate	105,000
Accruals	3,990
	<u>123,990</u>
<b>Net cash outflow arising on acquisition</b>	
Partial payment for acquisition of an associate	(15,000)

## 19. Contingent liabilities

- (a) In December 2005, a legal action was commenced by a former employee of Kamboat Chinese Cuisine Company Limited ("KCCC"), a wholly-owned subsidiary of the Company, against KCCC for the claim of approximately HK\$1,569,000 for personal injuries, loss and damages suffered during the work in KCCC. In the opinion of the Directors, such claim should be adequately covered by the Group's insurance. Hence, no provision has been made in the financial statements.
- (b) As at 31 October 2009, a number of current employees achieved the required numbers of years of services to the Group in order to be eligible for long services payments under the Employment Ordinance should their employments be terminated under certain prescribed circumstances. A provision has not been recognised in respect of such possible payment, as it is not considered probable that there will be a material future outflow of resources from the Group in respect thereof. As at 31 October 2009, the Group has a contingent liability in respect of possible future payments to employees under the Employment Ordinance with a maximum amount of approximately HK\$384,000 (30 April 2009: HK\$1,205,000).
- (c) As at 31 October 2009 and 30 April 2009, the Company provided corporate guarantee to a landlord to the extent of approximately HK\$370,000 in respect of operating lease payments of a subsidiary. No recognition of such guarantee was made for the six months ended 31 October 2009 and year ended 30 April 2009 because the Directors did not consider it probable that a claim would be made against the Group under the guarantee. Such guarantee was cancelled on 13 November 2009.

## 20. Operating lease arrangements

### (a) As lessor

The Group leases its investment properties under operating lease arrangement, with leases negotiated for terms of two years. The terms of the lease generally also require the lessee to pay security deposit.

As at the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating lease with its lessee falling due as follows:

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Within one year	<b>272</b>	480
In the second to fifth years, inclusive	<b>176</b>	504
	<b>448</b>	984

## 20. Operating lease arrangements (Continued)

### (b) As lessee

As at the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases falling due as follows:

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Within one year	<b>16,703</b>	17,445
In the second to fifth years, inclusive	<b>13,953</b>	29,814
	<b>30,656</b>	47,259

The Group leases restaurant premises, offices and warehouses under non-cancellable operating lease arrangements with lease terms ranging from three to nine years.

The operating lease rentals of certain restaurant premises are based on the higher of a minimum guaranteed rental or a sales level based rental, ranging from 6% to 7.5% on the sales level. The minimum guaranteed rental has been used to arrive at the above commitments.

## 21. Capital commitments

At 31 October 2009 and 30 April 2009, the Group had the following capital commitments:

	<b>31 October 2009 HK\$'000 (unaudited)</b>	30 April 2009 HK\$'000 (audited)
Contracted but not provided for: Investment properties	<b>25,632</b>	5,664

## 22. Post balance sheet event

Subsequent to the balance sheet date, the Group had disposed of an investment property with carrying value of HK\$4,620,000 at 31 October 2009 for a consideration of HK\$4,700,000. Up to the date of this report, a deposit of HK\$470,000 has been received and the balance of HK\$4,230,000 shall be received upon completion on 25 February 2010.

## 23. 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 22 January 2010.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

The Group's total revenue for the six months ended 31 October 2009 decreased by 21.7% to HK\$61.3 million from HK\$78.3 million recorded in the last corresponding period. Net loss attributable to the Company's shareholders for the six months ended 31 October 2009 decreased by HK\$36.2 million to HK\$2.6 million, as compared to net loss attributable to the Company's shareholders of HK\$38.8 million for the six months ended 31 October 2008. The loss per share was recorded at HK cents 0.04 for the six months ended 31 October 2009 and HK cents 0.66 for the corresponding period in 2008 respectively.

### Business Review

#### *Consumer Finance Business*

The segment results for the moneylending business for the six months ended 31 October 2009 decreased by HK\$287,000 to HK\$53,000 as compared to the six months ended 31 October 2008 due to weaker demands for consumer finance, especially in respect of SME business owners for short-term working capital.

#### *Smart-card Financial Services Business*

During the period under review, we continue to seek the potential investment opportunities to exploit our "e-ticket" system and RFID payment card system in China. Our segment recorded a loss of HK\$3,643,000 for the six months ended 31 October 2009, an increase of HK\$1,157,000 or 46.5% for the corresponding period in 2008.

#### *Securities Investment Business*

During the period under review, the segment recorded a profit of HK\$5,863,000 as compared to a loss of HK\$22,109,000 for the corresponding period in 2008 which resulted from a net realised and unrealised gain of approximately HK\$10.4 million (31 October 2008: net loss of approximately HK\$24.3 million) for its investments in trading securities during the six months ended 31 October 2009.

#### *Properties Investment Business*

The revenue of the Group's properties investment segment was HK\$339,000 (31 October 2008: HK\$204,000). The segment recorded a gain of HK\$6,523,000 due to the unrealised fair value gain of the investment properties valued as at 31 October 2009 and the disposal of certain investment properties during the period. Excluding the unrealised fair value gain and disposal of certain investment properties, the recurring profit of the investment properties segment would have been HK\$219,000 (31 October 2008: HK\$164,000).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **Business Review** *(Continued)*

#### ***Food & beverage Business***

The Group's food & beverage business faced an extremely difficult consumption environment and suffered from the effect of global recession. The revenue of the Group's restaurants, which amounted to approximately HK\$60.5 million in the six months ended 31 October 2009, decreased as compared with HK\$77.0 million in the six months ended 31 October 2008.

#### **Prospects**

The management of the Company actively seeks potential investment opportunities. On 3 July 2009, a wholly-owned subsidiary of the Company entered into a contract with an independent third party to acquire 20.54% of the issued share capital of Tecroad HoldCo, which in turn, is the sole shareholder of a wholly foreign owned enterprise, Beijing Tecroad Energy Limited ("Beijing Tecroad"), at a total consideration of HK\$120 million. Beijing Tecroad is engaged in research and development, production and sales and distribution of very technologically advanced emission-free lithium-ion batteries in the mainland China.

The Company intends to diversify its existing businesses to capture opportunities in the increasing demand in high-capacity lithium-ion batteries to charge the next generation of environmentally-friendly applications. The Company believes that the acquisition will strengthen our investment portfolios and is in the interests of the Company and the shareholders as a whole.

Going forward, the market environment will continue to be challenging, and it is difficult to predict future market conditions at this stage. To safeguard against any uncertain market condition and volatility in the global markets in the future, the Group will seek more potential investment opportunities to secure its source of income, build a strong foundation for a strategic growth, and consistently adopt a prudent approach in its securities and properties investment strategies.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Financial Review**

#### ***Liquidity and Financial Resources***

As at 31 October 2009, the Group had total assets of HK\$522.8 million (30 April 2009: HK\$421.7 million) and total equity attributable to shareholders of HK\$359.8 million (30 April 2009: HK\$363.0 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.2 (30 April 2009: 7.8). The Group's working capital, represented by total current assets against total current liabilities, as at 31 October 2009 was HK\$175.0 million (30 April 2009: HK\$293.5 million).

As at 31 October 2009, the Group's cash and cash equivalents amounted to HK\$250.1 million (30 April 2009: HK\$290.8 million).

As at 31 October 2009, the Group had mortgage loans of HK\$3.8 million (30 April 2009: HK\$4.2 million). The gearing ratio, which was calculated based on the total bank borrowings over shareholder's equity, of the Group at 31 October 2009 was 1.0% (30 April 2009: 1.2%).

Since the majority of the Group's resources of income and bank balances are denominated in Hong Kong dollars and Renminbi, the impact of the fluctuation in exchange rate is immaterial to the Group's financial position.

#### ***Charges on Group's assets***

Certain buildings and lease premium for land were pledged to the Group's banks to secure the mortgage loans granted to the Group.

#### ***Contingent Liabilities***

As at 31 October 2009, the Group has contingent liabilities in respect of (i) a claim of approximately HK\$1,569,000 for personal injuries, loss and damages suffered during the work made by a former employee (30 April 2009: HK\$1,569,000); (ii) possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$384,000 (30 April 2009: HK\$1,205,000); and (iii) corporate guarantee of HK\$370,000 (30 April 2009: HK\$370,000) which were provided by the Company to landlords in respect of the operating lease payments of its subsidiaries.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Financial Review *(Continued)*

#### Capital Commitments

As at 31 October 2009, the Group had outstanding capital commitments of HK\$25,632,000 in respect of the balance consideration of purchase of investment properties (30 April 2009: HK\$5,664,000).

#### Employment and Remuneration Policy

As at 31 October 2009, the Group had 382 (30 April 2009: 431) 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

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 October 2009, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out as follows:

Name	Company	Capacity	Interest in shares	Appropriate percentage of shareholding
Mr. Vong Tat leong, David (note)	The Company	Held through a controlled corporation	4,062,000,000 ordinary shares	69.32%

Note: The interest of Vong Tat leong, David is held by Vongroup Holdings Limited, of which he is the ultimate beneficial owner.

## **OTHER INFORMATION** *(Continued)*

### **Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures** *(Continued)*

Save as disclosed above, as at 31 October 2009, none of the Directors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **Directors' Rights to Acquire Shares or Debentures**

Save as disclosed under "Share Option Scheme" below, at no time during the six months ended 31 October 2009 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were there any such rights exercised by them or was the Company, or any of its holding companies, its fellow subsidiaries or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire such rights in or any other body corporate.

### **Share Option Scheme**

The Company adopted a share option scheme on 15 September 2001 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Directors of the Company, at their discretion, may grant options to Directors, officers and employees (whether full time or part-time) of the Company or a subsidiary and any other groups or classes of suppliers, customers, sub-contractors or agents of the Group from time to time determined by the Directors as having contributed or may contribute to the development and growth of the Group. However, no share options were outstanding nor granted during the period of six months ended 31 October 2009.

### **Substantial Shareholders' Interests in Shares and Underlying Shares**

As at 31 October 2009, the register required to be kept by the Company pursuant to section of the SFO showed that, other than the interests disclosed above in respect of the Directors or chief executive of the Company, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

Save as disclosed above, as at 31 October 2009, the Company had not been notified by any person, other than the Director or chief executive of the Company, whose interests are disclosed under the heading "Directors' and Chief Executive's Interests in Shares, Underlying shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

**OTHER INFORMATION** (Continued)**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 2009.

**Interim Dividend**

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2009.

**Purchase, Sale or Redemption of Listed Securities**

During the period, the Company purchased a total of 4,100,000 ordinary shares of HK\$0.001 each on the Stock Exchange at an aggregate consideration of HK\$456,800. All of the purchased shares were cancelled.

<b>Date of purchase</b>	<b>Total number of ordinary shares purchased</b>	<b>Highest price paid per share HK\$</b>	<b>Lowest price paid per share HK\$</b>	<b>Aggregate consideration HK\$</b>
22 May 2009	2,500,000	0.115	0.108	281,000
25 May 2009	1,000,000	0.111	0.111	111,000
26 May 2009	<u>600,000</u>	0.113	0.103	<u>64,800</u>
	<u>4,100,000</u>			<u>456,800</u>

Save as disclosed therein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Listed Securities during the period.

## **OTHER INFORMATION** *(Continued)*

### **Audit Committee**

During the current period, the Audit Committee of the Company comprised three independent non-executive directors, namely, Mr. Fung Ka Keung David, Dr. Lam Lee G. and Ms. 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 2009.

### **Compliance with the Code on Corporate Governance Practices**

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 31 October 2009 except for the deviations from the code provisions as described below.

- (1) According to the code provisions, the non-executive directors should be appointed for a specific term, subject to re-election. All directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with its articles of association, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures are in place to ensure that the Company’s corporate governance practices are no less exacting than those set out in the CG Code.
- (2) In accordance with the code provision, the role of chairman and chief executive officer (“CEO”) should be performed by different individuals. Mr. Vong Tat leong, David, who is a director and the CEO of the Company, has also been carrying out the responsibilities of the chairman of the Company. The Board considers the present structure is more suitable to the Group for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Group’s development strategies.

### **Appreciation**

I would like to take this opportunity to thank my fellow directors for their invaluable advices and guidances, and to each and every one of our staff for their hard work and loyalty to the Group.

By order of the Board  
**Vong Tat leong, David**  
*Executive Director*

Hong Kong, 22 January 2010

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