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vongroup

Vongroup Limited

黃河實業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 318)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2010

The board of directors (the “Board” or “Directors”) of Vongroup Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2010, 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 2010

		Unaudited Six months ended 31 October	
	Note	2010 HK\$'000	2009 HK\$'000 (restated)
Revenue	3	23,782	61,291
Other revenue		1,395	728
Other net income		7,893	15,290
Cost of inventories consumed		(7,869)	(16,980)
Cost of forfeited collateral sold		(290)	–
Staff costs		(7,412)	(20,420)
Operating lease rentals		(4,622)	(10,117)
Depreciation and amortisation		(1,052)	(1,593)
Other expenses		(17,951)	(34,844)
Change in fair value of investment properties		<u>1,960</u>	<u>4,250</u>
Loss from operations	4	(4,166)	(2,395)
Finance costs	5	(103)	(55)
Share of results of a jointly-controlled entity		<u>(220)</u>	<u>(130)</u>
Loss before taxation		(4,489)	(2,580)
Income tax	6	<u>(130)</u>	<u>(11)</u>

		Unaudited	
		Six months ended	
		31 October	
	<i>Note</i>	2010	2009
		HK\$'000	HK\$'000
			(restated)
Loss for the period		(4,619)	(2,591)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		<u>424</u>	<u>(122)</u>
Total comprehensive income for the period		<u>(4,195)</u>	<u>(2,713)</u>
Loss for the period attributable to:			
Shareholders of the Company		(1,730)	(1,736)
Non-controlling interests		<u>(2,889)</u>	<u>(855)</u>
		<u>(4,619)</u>	<u>(2,591)</u>
Total comprehensive income			
for the period attributable to:			
Shareholders of the Company		(1,306)	(1,858)
Non-controlling interests		<u>(2,889)</u>	<u>(855)</u>
		<u>(4,195)</u>	<u>(2,713)</u>
Loss per share			
Basic and diluted	8	<u>(HK\$0.0003)</u>	<u>(HK\$0.0003)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2010

	<i>Note</i>	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	5,629	9,962
Lease premium for land		4,414	5,161
Investment properties	10	80,900	63,940
Goodwill		8,988	8,988
Interest in a jointly-controlled entity		2,045	2,216
Deposits paid in respect of acquisition of property, plant and equipment		–	1,761
Available-for-sale investments		<u>21,414</u>	<u>21,414</u>
		<u>123,390</u>	<u>113,442</u>
Current assets			
Lease premium for land		116	135
Inventories		10,278	10,951
Forfeited collateral held for sale		90	203
Accounts receivable	11	395	451
Moneylending loan receivables	12	11,240	11,973
Deposits, prepayments and other receivables	13	11,421	9,872
Amount due from a jointly-controlled entity		–	227
Financial assets at fair value through profit or loss	14	36,712	42,789
Cash and cash equivalents	15	283,840	235,223
		<u>354,092</u>	<u>311,824</u>
Current liabilities			
Accounts payable	16	1,180	3,456
Accruals and deposits received		17,619	20,193
Tax payables		20,694	20,247
Amount due to a jointly-controlled entity		210	–
Finance lease payable		94	234
Bank borrowings – current portion	17	61,449	2,459
		<u>101,246</u>	<u>46,589</u>
Net current assets		<u>252,846</u>	<u>265,235</u>
Total assets less current liabilities		<u>376,236</u>	<u>378,677</u>

		31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Non-current liabilities			
Bank borrowings – long-term portion	<i>17</i>	20,970	12,878
Deferred tax liabilities		<u>591</u>	<u>591</u>
		<u>21,561</u>	<u>13,469</u>
NET ASSETS		<u>354,675</u>	<u>365,208</u>
Capital and reserves			
Share capital	<i>18</i>	5,860	5,860
Reserves		<u>348,815</u>	<u>350,121</u>
Shareholders' equity		354,675	355,981
Non-controlling interests		<u>–</u>	<u>9,227</u>
TOTAL EQUITY		<u>354,675</u>	<u>365,208</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2010

	Unaudited								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total shareholders' equity <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2009 (audited)	5,864	533,481	258	124	552	(177,309)	362,970	10,660	373,630
Loss for the period (restated)	-	-	-	-	-	(1,736)	(1,736)	(855)	(2,591)
Exchange difference arising on translation of foreign operations	-	-	-	-	(122)	-	(122)	-	(122)
Total comprehensive income for the period (restated)	-	-	-	-	(122)	(1,736)	(1,858)	(855)	(2,713)
Cancellation on repurchase of own shares (restated)	(4)	(461)	4	-	-	-	(461)	-	(461)
At 31 October 2009 (restated)	<u>5,860</u>	<u>533,020</u>	<u>262</u>	<u>124</u>	<u>430</u>	<u>(179,045)</u>	<u>360,651</u>	<u>9,805</u>	<u>370,456</u>

	Unaudited								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total shareholders' equity <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2010 (audited)	5,860	533,020	262	156	531	(183,848)	355,981	9,227	365,208
Loss for the period	-	-	-	-	-	(1,730)	(1,730)	(2,889)	(4,619)
Exchange difference arising on translation of foreign operations	-	-	-	-	424	-	424	-	424
Total comprehensive income for the period	-	-	-	-	424	(1,730)	(1,306)	(2,889)	(4,195)
Disposal of subsidiaries	-	-	-	-	-	-	-	(6,338)	(6,338)
At 31 October 2010	<u>5,860</u>	<u>533,020</u>	<u>262</u>	<u>156</u>	<u>955</u>	<u>(185,578)</u>	<u>354,675</u>	<u>-</u>	<u>354,675</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2010

	Six months ended 31 October	
	2010 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i> (unaudited)
Net cash outflow from operating activities	(9,867)	(37,065)
Net cash outflow from investing activities	(70,784)	(2,560)
Net cash inflow/(outflow) from financing activities	<u>66,839</u>	<u>(1,075)</u>
Net decrease in cash and cash equivalents	(13,812)	(40,700)
Cash and cash equivalents at beginning of the period	235,033	290,822
Effect of foreign exchange rate changes	<u>619</u>	<u>26</u>
Cash and cash equivalents at end of the period	<u><u>221,840</u></u>	<u><u>250,148</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2010

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 2010, except as described below.

In the current period, the Group has applied, for the first time, all new or revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA with effect from the beginning of current accounting period.

The application of HKFRS 3 (Revised) “Business Combinations” affects the Group’s accounting policy for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) “Consolidated and Separate Financial Statements” affects the accounting treatment for changes in the Group’s ownership interest in a subsidiary.

The adoption of these new HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

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 five reportable operating segments are listed as follows:

Financial services:	Consumer finance, moneylending, other financial/business services, and related activities
Securities:	Securities and related activities
Property:	Real property and related activities
Technology & Media:	Smart-card financial services, other technology & media, and related activities
Food & Beverage:	Catering services, other food & beverage businesses, and related activities

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

	Unaudited											
	Financial services		Securities		Property		Technology & Media		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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
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)
Segment Revenue:												
Revenue	1,243	493	-	-	387	339	624	-	21,528	60,459	23,782	61,291
Other revenue and net income	255	182	3,753	12,109	13	2,054	4,104	-	1,146	26	9,271	14,371
Total	<u>1,498</u>	<u>675</u>	<u>3,753</u>	<u>12,109</u>	<u>400</u>	<u>2,393</u>	<u>4,728</u>	<u>-</u>	<u>22,674</u>	<u>60,485</u>	<u>33,053</u>	<u>75,662</u>
Segment results	<u>520</u>	<u>53</u>	<u>2,694</u>	<u>5,863</u>	<u>2,160</u>	<u>6,523</u>	<u>(970)</u>	<u>(3,643)</u>	<u>(2,665)</u>	<u>(6,451)</u>	1,739	2,345
Unallocated other revenue											17	1,647
Unallocated expenses											(5,922)	(6,387)
Loss from operations											(4,166)	(2,395)
Finance costs											(103)	(55)
Share of results of a jointly-controlled entity											(220)	(130)
Loss before taxation											(4,489)	(2,580)
Income tax											(130)	(11)
Loss for the period											<u>(4,619)</u>	<u>(2,591)</u>

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	
	2010	2009	2010	2009	2010	2009
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	<u>5,495</u>	<u>40,821</u>	<u>18,287</u>	<u>20,470</u>	<u>23,782</u>	<u>61,291</u>

4. LOSS FROM OPERATIONS

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

	Six months ended 31 October	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Cost of inventories consumed	7,869	16,980
Cost of forfeited collateral sold	290	–
Research and development costs*	–	2,500
Staff costs (including directors' remuneration)	7,412	20,420
Net exchange loss	944	234
Net realised gain on financial assets at fair value through profit or loss	(2,858)	(11,590)
Net unrealised loss on financial assets at fair value through profit or loss	180	1,220
Net profit on disposal of property, plant and equipment, investment properties and lease premium for land	(831)	(3,482)
Net gain on disposal of subsidiaries (<i>note 20</i>)	(4,204)	–
Gross rental income from investment properties less direct outgoings HK\$24,000 (31 October 2009: HK\$12,000)	(363)	(327)
Bank interest income	(379)	(186)
Dividend income from listed securities	(896)	(519)

* This item is included in other expenses

5. FINANCE COSTS

	Six months ended 31 October	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest on bank borrowings	99	46
Interest on finance lease	4	9
	<u>103</u>	<u>55</u>

6. INCOME TAX

	Six months ended 31 October	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profits tax:		
PRC enterprise income tax	<u>130</u>	<u>11</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 (2009: 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.

7. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2010 (2009: nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited condensed consolidated loss for the period ended 31 October 2010 of HK\$1,730,000 (six months ended 31 October 2009: loss of HK\$1,736,000) and on the weighted average number of 5,859,860,900 (six months ended 31 October 2009: 5,860,358,183) 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 2010 (audited)	9,962
Additions	97
Depreciation	(989)
Disposals	(3,480)
Disposal of a subsidiary (<i>note 20</i>)	(3)
Exchange adjustments	<u>42</u>
Carrying values as at 31 October 2010	<u>5,629</u>

10. INVESTMENT PROPERTIES

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

	<i>HK\$'000</i> (unaudited)
Carrying values as at 1 May 2010 (audited)	63,940
Additions through acquisition of a subsidiary (<i>note 19</i>)	15,000
Increase in fair value of investment properties	<u>1,960</u>
Carrying values as at 31 October 2010	<u><u>80,900</u></u>

An unrealised gain on increase in fair value of investment properties of HK\$1.96 million (six months ended 31 October 2009: gain of HK\$4.25 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 2010 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. ACCOUNTS RECEIVABLE

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

	31 October 2010 <i>HK\$'000</i> (unaudited)	30 April 2010 <i>HK\$'000</i> (audited)
Within 30 days	76	20
31-90 days	83	175
91-180 days	43	246
Over 180 days	<u>193</u>	<u>10</u>
	<u><u>395</u></u>	<u><u>451</u></u>

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

	31 October 2010 <i>HK\$'000</i> (unaudited)	30 April 2010 <i>HK\$'000</i> (audited)
Neither past due nor impaired	–	195
1 to 3 months past due	76	246
3 to 6 months past due	83	–
Over 6 months, but less than 1 year past due	<u>236</u>	<u>10</u>
	<u><u>395</u></u>	<u><u>256</u></u>
	<u><u>395</u></u>	<u><u>451</u></u>

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.

12. MONEYLENDING LOAN RECEIVABLES

	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Balance brought forward	11,973	1,824
Loans advanced	7,825	17,116
Repayment during the period/year	(8,676)	(6,967)
Exchange adjustment	118	–
	<u>11,240</u>	<u>11,973</u>

The Group offers loans as a moneylender. A typical moneylending loan generally has a term of not more than one year. All the Group's moneylending loan receivables in PRC are denominated in RMB.

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Prepayments	3,236	2,764
Rental and other deposits	1,603	3,498
Credit card receivables	117	67
Staff advances (<i>note</i>)	69	67
Others	6,396	3,476
	<u>11,421</u>	<u>9,872</u>

Note: The Group's staff advances represent advances to non-director employees. The advances are unsecured, non-interest bearing and are repayable in accordance with the repayment schedules agreed by the staff and the Group.

All of the deposits, prepayments and other receivables are expected to be recovered or recognised as expense within one year.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
At fair value:		
Listed equity investments in Hong Kong	35,915	41,992
Listed equity investments outside Hong Kong	797	797
	<u>36,712</u>	<u>42,789</u>

15. CASH AND CASH EQUIVALENTS

	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Cash and bank balances	210,859	158,092
Pledged time deposit (<i>note</i>)	62,000	190
Time deposits	<u>10,981</u>	<u>76,941</u>
Cash and cash equivalents in the consolidated statement of financial position	283,840	235,223
Less: Pledged time deposit	<u>(62,000)</u>	<u>(190)</u>
Cash and cash equivalents in the consolidated statement of cash flow	<u>221,840</u>	<u>235,033</u>

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The directors consider the carrying value of the amount at the end of the reporting period approximates to the fair value.

Note: The time deposit is pledged to a bank in respect of granting a general banking facilities to the Group.

16. ACCOUNTS PAYABLE

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

	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
0 – 30 days	573	859
31 – 90 days	190	1,669
91 – 180 days	–	520
181 – 360 days	417	–
Over 360 days	<u>–</u>	<u>408</u>
	<u>1,180</u>	<u>3,456</u>

The accounts payable are non-interest bearing and are normally settled on 90-day terms. The carrying amounts of the accounts payable at the end of the reporting period approximates to the fair values.

17. BANK BORROWINGS

Bank borrowings of HK\$1,688,000 as at 31 October 2010 (30 April 2010: HK\$3,329,000) were secured by the Group's buildings held for own use and lease premium for land with net carrying amount of HK\$945,000 (30 April 2010: HK\$3,130,000) and HK\$3,109,000 (30 April 2010: HK\$3,890,000) respectively. Interest is charged at 2.85% (30 April 2010: 2.85%) per annum.

Bank borrowings of HK\$20,731,000 as at 31 October 2010 (30 April 2010: HK\$12,008,000) were secured by investment properties with fair value amount of HK\$37,700,000 (30 April 2010: HK\$21,800,000). Interest is charged at 0.7% per annum over 1 month HIBOR, and capped at 2.5% per annum below prime rate.

A short-term secured bank borrowing of HK\$60,000,000 as at 31 October 2010 was secured by a pledged time deposit in relation to a general banking facilities granted to the Group, with interest at 0.7% per annum over 1 month HIBOR.

18. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.001 each		
Authorised:		
At 1 May 2009, 30 April 2010 and 31 October 2010	<u>200,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 May 2009	5,863,960,900	5,864
Repurchased and cancelled	<u>(4,100,000)</u>	<u>(4)</u>
At 30 April 2010 and 31 October 2010	<u>5,859,860,900</u>	<u>5,860</u>

19. ACQUISITION OF ASSETS AND LIABILITIES THROUGH PURCHASE OF THE SUBSIDIARY

During this period, VG Investment Assets Holdings Incorporated (“VGI”), a wholly-owned subsidiary of the Company, acquired assets and liabilities through the acquisition of 100% equity interest in Maxfine Limited (“Maxfine”) for a total consideration of HK\$15 million. Maxfine is engaged in property investment holding.

The assets and liabilities acquired in the transaction are as follows:

	Carrying amount and fair value of Maxfine <i>HK\$'000</i>
Assets and liabilities acquired:	
Investment property	15,000
Amount due to a shareholder	(9,132)
Bank borrowing	<u>(4,523)</u>
Net asset value of Maxfine upon acquisition	1,345
Assignment of debt payable to VGI	9,132
Settlement of bank borrowing at the date of completion	<u>4,523</u>
Total asset value	<u>15,000</u>
Total cash consideration paid for acquisition of the subsidiary	<u>15,000</u>
	<i>HK\$'000</i>
Net cash outflow arising on acquisition:	
Cash consideration	<u>(15,000)</u>

20. DISPOSAL OF A SUBSIDIARY

During this period, the Company signed an agreement with an independent third party to dispose its 45% interest in Guo Xin China Pay Systems Limited (“Guo Xin”) at a total consideration of HK\$78,000.

The net asset value of Guo Xin is as follows:

	Carrying amount and fair value of Guo Xin HK\$'000
Property, plant and equipment	3
Deposit paid in respect of acquisition of property, plant and equipment	1,761
Deposits, prepayments and other receivables	255
Cash and cash equivalents	353
Accruals	<u>(160)</u>
Net asset value (100%)	2,212
Non-controlling interests (55%)	<u>(6,338)</u>
Net carrying value of Guo Xin	(4,126)
Gain on disposal	<u>4,204</u>
Cash consideration	<u><u>78</u></u>
	<i>HK\$'000</i>
Net cash outflow arising on disposal:	
Cash consideration	78
Cash and cash equivalents	<u>(353)</u>
	<u><u>(275)</u></u>

21. 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 2010, a number of 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 2010, the Group has no contingent liability in respect of possible future payments to employees under the Employment Ordinance (30 April 2010: HK\$233,000).
- (c) As at 31 October 2010, KCCC provided corporate guarantee to a landlord to the extent of approximately HK\$370,000 in respect of operating lease payments. No recognition of such guarantee was made for the year ended 30 April 2010 because the directors did not consider it probable that a claim would be made against the Group under the guarantee. Such guarantee was cancelled during the six months ended 31 October 2010.

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 10) 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 31 October 2010, the Group had total future minimum lease receivables under non-cancellable operating lease with lessees falling due as follows:

	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Within one year	1,271	275
In the second to fifth years, inclusive	<u>868</u>	<u>38</u>
	<u>2,139</u>	<u>313</u>

(b) As lessee

As at 31 October 2010, the Group had outstanding commitments under non-cancellable operating leases falling due as follows:

	31 October 2010 HK\$'000 (unaudited)	30 April 2010 HK\$'000 (audited)
Within one year	4,595	8,619
In the second to fifth years, inclusive	<u>-</u>	<u>1,013</u>
	<u>4,595</u>	<u>9,632</u>

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

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 30 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

There was no material difference of the net loss attributable to the Company's shareholders for the six months ended 31 October 2010 of HK\$1.7 million, as compared to the last corresponding period. The loss per share was recorded at HK\$0.0003 for the six months ended 31 October 2010 and HK\$0.0003 for the corresponding period in 2009 respectively.

Business Review

Financial Services

During the period, the revenue and the segment results of our financial services businesses was increased by approximately HK\$823,000 to HK\$1,498,000 and approximately HK\$467,000 to HK\$520,000 respectively, as compared to the last corresponding period.

Securities

Our securities business segment recorded a profit of approximately HK\$2,694,000 (2009: approximately HK\$5,863,000) which was mainly contributed by net realised and unrealised gain on securities investment of approximately HK\$2,678,000 (2009: approximately HK\$10,370,000) during the six months ended 31 October 2010.

Property

Our property business contributed steady rental income to the Group. The revenue of the Group's property business segment was approximately HK\$387,000 (2009: approximately HK\$339,000). The business segment contributed a profit of approximately HK\$2,160,000 (2009: approximately HK\$6,523,000) which was mainly due to (i) the unrealised fair value gain on investment properties of approximately HK\$1,960,000 (2009: approximately HK\$4,250,000); and (ii) gain on disposal of certain investment properties of HK\$nil (2009: approximately HK\$2,054,000) during the six months ended 31 October 2010. Excluding the gain on unrealised fair value and disposed of certain properties, the recurring profit of the property business segment would have been approximately HK\$200,000 (2009: approximately HK\$219,000).

Technology & Media

Our technology & media businesses recorded a loss of approximately HK\$970,000, a decrease in loss of approximately HK\$2,673,000 or 73.4% as compared to last year.

Food & Beverage

During this period, revenue for our food & beverage businesses was approximately HK\$21,528,000 (2009: approximately HK\$60,459,000), resulting in a segment loss of approximately HK\$2,665,000 (2009: approximately HK\$6,451,000).

Prospects

The global economy has generally stabilised and improved since the second quarter of 2009, after massive fiscal and monetary stimulus and credit expansion in various countries around the world, but there are still uncertainties in the healthy recovery of certain economies. The property and stock markets in the PRC and Hong Kong have staged substantial recovery and the overall economy in the PRC has performed relatively well, especially as compared with the western economies. In the meantime, the Group is also pursuing other potential investment projects, with a view to achieving for the Group asset growth and profitability.

Financial Review

Liquidity and Financial Resources

As at 31 October 2010, the Group had total assets of HK\$477.5 million (30 April 2010: HK\$425.3 million) and total equity attributable to shareholders of HK\$354.7 million (30 April 2010: HK\$356.0 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 3.5 (30 April 2010: 6.7). The Group's working capital, represented by total current assets against total current liabilities, as at 31 October 2010 was HK\$252.8 million (30 April 2010: HK\$265.2 million).

As at 31 October 2010, the Group's cash and cash equivalents amounted to HK\$283.8 million (30 April 2010: HK\$235.2 million).

As at 31 October 2010, the Group had bank borrowings of HK\$82.4 million (30 April 2010: HK\$15.3 million). The gearing ratio, which was calculated based on the total bank borrowings over shareholder's equity, of the Group at 31 October 2010 was 23.2% (30 April 2010: 4.3%).

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 held for own use, lease premium for land, certain investment properties and a time deposit were pledged to the Group's banks to secure the bank borrowings granted to the Group.

Contingent Liabilities

Details of the Group's contingent liabilities as set out in note 21 to the financial statements.

Capital Commitment

During this period, the Group had no significant capital commitment (30 April 2010: nil).

Employment and Remuneration Policy

As at 31 October 2010, the Group had 205 (30 April 2010: 344) employees in Hong Kong and the PRC. The Group has not had 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 2010, 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 Jeong, David (<i>note</i>)	The Company	Held through a controlled corporation	3,962,000,000 ordinary shares	67.61%

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

Save as disclosed above, as at 31 October 2010, 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 2010 were 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 any such rights exercised by them or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors 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 2010.

Substantial Shareholders’ Interests in Shares and Underlying Shares

As at 31 October 2010, 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 2010, 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.

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 2010.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2010 (31 October 2009: 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 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 2010.

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 2010 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 Ieong, 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.

PUBLICATION OF INTERIM RESULT ANNOUNCEMENT AND INTERIM REPORT

The 2010 interim report will be despatched to the shareholders and published on both of the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to thank my fellow directors for their invaluable advice and guidance, and to all our staff for their hard work and loyalty to the Group.

By order of the Board
Vong Tat Ieong, David
Executive Director

Hong Kong, 30 December 2010

As at the date of this announcement, the board of directors of the Company comprises two executive Directors, namely: Mr. Vong Tat Ieong, 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 Ngai, Edna.

* *For identification purpose only*