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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 ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2014

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 2014, 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 2014

	Note	Six months ended 31 October (unaudited)	
		2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>	4	<b>13,012</b>	15,924
Other revenue	4	<b>1,182</b>	1,141
Cost of inventories consumed		<b>(3,368)</b>	(3,966)
Staff costs		<b>(3,525)</b>	(8,919)
Operating lease rentals		<b>(2,566)</b>	(2,682)
Depreciation and amortisation		<b>(445)</b>	(900)
Other expenses		<b>(6,942)</b>	(7,800)
Change in fair value of investment properties		<b>550</b>	3,790
<b>Loss from operations</b>	5	<b>(2,102)</b>	(3,412)
Finance costs	6	<b>(238)</b>	(258)
<b>Loss before taxation</b>		<b>(2,340)</b>	(3,670)
Income tax	7	<b>(17)</b>	–
<b>Loss for the period</b>		<b>(2,357)</b>	(3,670)
<b>Other comprehensive (expense)/income</b>			
Exchange differences arising on translation of foreign operations		<b>(4)</b>	552
<b>Total comprehensive expense for the period</b>		<b>(2,361)</b>	(3,118)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(2,357)</b>	(3,670)
<b>Total comprehensive expense for the period attributable to:</b>			
Owners of the Company		<b>(2,361)</b>	(3,118)
<b>Loss per share</b>			
Basic and diluted	9	<b>(HK\$0.0004)</b>	(HK\$0.0006)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 October 2014*

	<i>Note</i>	<b>31 October 2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	30 April 2014 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		15,246	15,660
Investment properties		188,432	187,882
Deposits paid for acquisition of property, plant and equipment		367	367
Available-for-sale investments		2,452	2,452
		<u>206,497</u>	<u>206,361</u>
<b>Current assets</b>			
Inventories		3,677	3,871
Forfeited collateral held for sale		593	583
Accounts receivable	10	2,014	1,756
Loans and advances to money lending customers		13,465	4,388
Deposits, prepayments and other receivables		33,726	33,695
Financial assets at fair value through profit or loss		36,248	32,815
Deposits placed with financial institutions		5,468	6,423
Cash and bank balances		37,644	51,647
		<u>132,835</u>	<u>135,178</u>
<b>Current liabilities</b>			
Accounts payable	11	1,284	1,993
Accruals and deposits received		15,231	13,341
Tax payable		23,490	23,547
Bank borrowings		35,012	35,982
		<u>75,017</u>	<u>74,863</u>
<b>Net current assets</b>		<u>57,818</u>	<u>60,315</u>
<b>Total assets less current liabilities</b>		<u>264,315</u>	<u>266,676</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		788	788
<b>NET ASSETS</b>		<u>263,527</u>	<u>265,888</u>
<b>Capital and reserves</b>			
Share capital		5,860	5,860
Reserves		257,667	260,028
<b>TOTAL EQUITY</b>		<u>263,527</u>	<u>265,888</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 October 2014*

### 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 2014.

#### **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 2014. 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 Executive Committee of the Board of the Directors of the Company, being the chief operating decision-maker (“CODM”), determines and reviews the Group’s internal reporting in order to assess performance and allocate resources. The operating segments are determined based on this internal reporting. The CODM considers the business from products, services and geographical perspectives, which comprises the segments as listed below. The Executive Committee assesses the performance of the operating segments based on each segment’s operating profit. The segments are managed separately, and they have not been aggregated.

(a) **Segment revenue and results**

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) Six months ended 31 October		Segment profit/(loss) (unaudited) Six months ended 31 October	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial Services	512	131	110	53
Securities	2,049	1,581	2,469	1,907
Property	2,874	2,691	3,012	6,035
Technology & Media	150	–	(649)	(1,214)
Food & Beverage	7,427	11,521	(914)	(3,100)
Corporate Treasury Management	3,495	5,969	–	–
Segment total	16,507	21,893	4,028	3,681
Elimination	(3,495)	(5,969)	–	–
Total	<u>13,012</u>	<u>15,924</u>	<u>4,028</u>	<u>3,681</u>
Unallocated items:				
Other revenue			435	405
Administrative and other operating expenses			(6,565)	(7,498)
Finance costs			(238)	(258)
Loss before taxation			(2,340)	(3,670)
Income tax			(17)	–
Loss for the period			<u>(2,357)</u>	<u>(3,670)</u>

Segment revenue reported above, other than Corporate Treasury Management, represents revenue generated from external customers. There were no inter-segment sales, other than Corporate Treasury Management, in the current period (2013: Nil).

(b) **Geographical segments**

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

	Six months ended 31 October (unaudited)	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	4,884	4,124
Mainland China	7,993	11,560
Macau	135	240
Total	<u>13,012</u>	<u>15,924</u>

(c) **Information about major customers**

The Group has a very wide customer base and no single customer contributed more than 10% of the Group's revenue for each six-month period ended 31 October 2014 and 2013.

#### 4. TURNOVER AND OTHER REVENUE

The Group is principally engaged in financial services business, securities business, property business, technology & media business and food & beverage business.

Turnover represents income from financial services business, property business, technology & media business, food & beverage business, and net gain from securities business received or receivable during the period.

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

	Six months ended 31 October (unaudited)	
	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>		
Income from financial services business	512	131
Net gain from securities business	2,049	1,581
Rental income from property business	2,874	2,691
Income from technology & media business	150	–
Income from food & beverage business	7,427	11,521
	<u>13,012</u>	<u>15,924</u>
<b>Other revenue</b>		
Bank interest income	59	53
Other interest income	402	405
Dividend income from listed securities	538	564
Sundry income	183	119
	<u>1,182</u>	<u>1,141</u>

#### 5. LOSS FROM OPERATIONS

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

	Six months ended 31 October (unaudited)	
	2014 HK\$'000	2013 HK\$'000
Staff costs	3,525	8,919
Net exchange loss	53	708
Net realised and unrealised gain on financial assets at fair value through profit or loss	(2,049)	(1,581)
Rental income from investment properties net of direct outgoings HK\$86,000 (2013: HK\$44,000)	(2,728)	(2,647)
	<u>(2,728)</u>	<u>(2,647)</u>

#### 6. FINANCE COSTS

	Six months ended 31 October (unaudited)	
	2014 HK\$'000	2013 HK\$'000
Interest on bank borrowings	237	250
Interest on finance lease	–	4
Other interest paid	1	4
	<u>238</u>	<u>258</u>

## 7. INCOME TAX

Six months ended 31 October (unaudited)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profits tax:		
PRC enterprise income tax	<u>17</u>	<u>-</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 (2013: 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 2014 (2013: Nil).

## 9. 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 2014 of HK\$2,357,000 (six months ended 31 October 2013: loss of HK\$3,670,000) and on the weighted average number of 5,859,860,900 (six months ended 31 October 2013: 5,859,860,900) 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.

## 10. ACCOUNTS RECEIVABLE

The general credit terms granted by the Group to its customers ranged from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aging analysis of accounts receivable as at the end of the reporting period is as follows:

	31 October 2014 <i>HK\$'000</i> (unaudited)	30 April 2014 <i>HK\$'000</i> (audited)
Within 30 days	454	1,613
31-90 days	1,560	15
91-180 days	-	23
Over 180 days	<u>-</u>	<u>105</u>
	<u>2,014</u>	<u>1,756</u>

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

	<b>31 October 2014</b> <i>HK\$'000</i> (unaudited)	30 April 2014 <i>HK\$'000</i> (audited)
<b>Neither past due nor impaired</b>	<u>454</u>	<u>1,651</u>
<b>Past due but not impaired</b>		
1 to 3 months past due	1,560	–
3 to 6 months past due	–	–
Over 6 months, but less than 1 year past due	<u>–</u>	<u>105</u>
	<u>1,560</u>	<u>105</u>
	<u><b>2,014</b></u>	<u><b>1,756</b></u>

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

Receivables that were past due but not impaired relate to a number of independent customers. The Group believes that no impairment allowance is necessary in respect of these balances as it is not aware of significant change in credit quality that would affect recoverability, and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

## 11. ACCOUNTS PAYABLE

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

	<b>31 October 2014</b> <i>HK\$'000</i> (unaudited)	30 April 2014 <i>HK\$'000</i> (audited)
0 – 30 days	386	413
31 – 90 days	268	557
91 – 180 days	65	137
181 – 360 days	136	437
Over 360 days	<u>429</u>	<u>449</u>
	<u><b>1,284</b></u>	<u><b>1,993</b></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.

## 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 23 December 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

The Group generated turnover of approximately HK\$13.0 million (2013: approximately HK\$15.9 million) with a loss for the six months ended 31 October 2014 of approximately HK\$2.4 million (2013: approximately HK\$3.7 million). Our Financial Services business contributed an increase as we have been expanding our customer base to strengthen our income stream. During the period under review, our Securities business continually recorded a steady profit. Despite this, the economic environment is relatively volatile and uncertain, and we have been operating to target risk-adjusted returns. Our Property business recorded steady growth due to the appreciation of our properties and due to stable rental income. Our Technology & Media business has been continuing to explore different potential business or investment opportunities, whereas the Group has been developing different strategies to strengthen our income stream in this sector. During the first half of the year, our Food & Beverage business has seen improvements in minimising the loss in operations. We have been monitoring the effectiveness of scaling down traditional products and we have also been exploring different consumer services businesses which may enhance our income source. Our Corporate Treasury Management segment has been continuing to engage in managing and actively pursuing efficient allocation of the Group's financial resources.

### Business Review

#### *Financial Services*

During this period, the revenue of our financial services segment reflected no significant change as compared to the corresponding period in the previous year.

#### *Securities*

Our securities segment recorded a net realised and unrealised gain on trading of securities investments of approximately HK\$2.0 million (2013: gain of approximately HK\$1.6 million), which contributed a profit to our securities segment of approximately HK\$2.5 million (2013: profit of approximately HK\$1.9 million) for the six months ended 31 October 2014.

#### *Property*

The revenue of the Group's property segment was approximately HK\$2.9 million (2013: approximately HK\$2.7 million). The business segment contributed a profit of approximately HK\$3.0 million (2013: profit of approximately HK\$6.0 million) to the Group. Excluding the gain on unrealised fair value, the recurring profit of the property segment would have been approximately HK\$2.5 million (2013: profit of approximately HK\$2.2 million).

#### *Technology & Media*

Our technology & media segment recorded a loss and reflected no significant change as compared to the corresponding period in last year.

#### *Food & Beverage*

During the period, the revenue of our food & beverage segment was approximately HK\$7.4 million (2013: approximately HK\$11.5 million), which contributed a segment loss of approximately HK\$0.9 million (2013: loss of approximately HK\$3.1 million) for the six months ended 31 October 2014.

#### *Seasonal/Cyclical Factors*

The sales volume of some of our businesses during festive periods is normally higher than the sales volume in the slack periods of the period for food & beverage operations.

### Prospects

As the global economic environment remains unstable, the Group's businesses will undoubtedly be affected. To cope with uncertainties, we will cautiously review and adjust our business strategies from time to time, as well as seek more potential investment opportunities with an aim to maximise value for our shareholders.



## **Financial Review**

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

The Group maintained cash and bank balances as at 31 October 2014 amounting to approximately HK\$37.6 million (30 April 2014: approximately HK\$51.6 million). The Group's current ratio as at 31 October 2014 was 1.8 (30 April 2014: 1.8). The total equity of the Group amounted to approximately HK\$263.5 million (30 April 2014: approximately HK\$265.9 million) as at 31 October 2014.

### ***Gearing***

The gearing ratio, as a ratio of bank borrowings to total equity, was 0.13 as at 31 October 2014 (30 April 2014: 0.13).

### ***Exchange Rate Exposure***

As at 31 October 2014, the Group's cash and bank balances amounted to approximately HK\$37.6 million, the majority of which was in Hong Kong dollars. Since the majority of the Group's transactions, monetary assets and liabilities is denominated in Hong Kong dollars, United States dollars and Renminbi, with relatively stable exchange rates of Renminbi to Hong Kong dollars and Hong Kong's linked exchange rate between United States dollar and Hong Kong dollar, the Group has minimal exposure to exchange rate fluctuations.

### ***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 2014, the Group had 80 (30 April 2014: 104) employees in Hong Kong and Mainland China. 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 2014.

### **Interim Dividend**

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2014 (2013: 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, 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 2014.

## 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 2014 except for the deviations from the code provisions as described below.

- (1) According to code provision A.4.1, 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 at least once every three years as specified in the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those set out in the CG Code.
- (2) According to code provision A.2.1, 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 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 Group for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Group’s development strategies.
- (3) Our independent non-executive directors have given contribution to the development of the Company’s strategies and policies through independent, constructive and informed comments. They have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Three independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 29 September 2014 as provided for in code provision A.6.7 due to their other business engagements.

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

Hong Kong, 23 December 2014

*As at the date of this report, 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 Ngar, Edna.*

\* *For identification purpose only*