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VONGROUP LIMITED

黃河實業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 318)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

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 2016, 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 2016

	Note	Six months ended 31 October (unaudited)	
		2016 HK\$'000	2015 HK\$'000
Turnover	4	6,199	17,115
Other revenue and net gains	4	500	29,750
Cost of inventories		–	(8,450)
Staff costs		(3,780)	(4,201)
Operating lease rentals		(293)	(284)
Depreciation and amortisation		(266)	(268)
Other expenses		(4,707)	(16,915)
Change in fair value of investment properties		890	7,226
(Loss)/profit from operations	5	(1,457)	23,973
Finance costs	6	(229)	(230)
(Loss)/profit before taxation		(1,686)	23,743
Income tax	7	(27)	(29)
(Loss)/profit for the period		(1,713)	23,714
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		(1,365)	(886)
Total comprehensive (expense)/income for the period		(3,078)	22,828
(Loss)/profit for the period attributable to:			
Owners of the Company		(1,713)	23,714
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(3,078)	22,828
			(Restated)
(Loss)/profit per share			
Basic and diluted	9	HK\$(0.0098)	HK\$0.1580

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2016

	<i>Note</i>	31 October 2016 <i>HK\$'000</i> (unaudited)	30 April 2016 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		13,685	13,941
Investment properties		188,406	187,959
Deposits paid for acquisition of property, plant and equipment		367	367
Other financial assets		7,754	–
Available-for-sale investments		31,452	2,452
		<u>241,664</u>	<u>204,719</u>
Current assets			
Inventories		2,011	2,011
Forfeited collateral held for sale		672	705
Accounts receivable	10	4,050	4,050
Loans and advances to money lending customers		14,851	15,043
Deposits, prepayments and other receivables		32,140	32,772
Financial assets at fair value through profit or loss		18,449	16,201
Cash and bank balances		57,992	72,389
		<u>130,165</u>	<u>143,171</u>
Current liabilities			
Accruals and deposits received		3,495	4,490
Bank borrowings		31,088	32,076
Tax payable		829	829
		<u>35,412</u>	<u>37,395</u>
Net current assets		<u>94,753</u>	<u>105,776</u>
Total assets less current liabilities		<u>336,417</u>	<u>310,495</u>
Non-current liabilities			
Deferred tax liabilities		539	539
NET ASSETS		<u><u>335,878</u></u>	<u><u>309,956</u></u>
Capital and reserves			
Share capital		7,688	6,754
Reserves		328,190	303,202
TOTAL EQUITY		<u><u>335,878</u></u>	<u><u>309,956</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2016

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 2016.

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 2016. The adoption of these new or revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s interim financial statements and amounts reported for the current period and prior periods.

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

3. SEGMENT INFORMATION

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

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

(a) Segment revenue and results

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

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

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

	Segment revenue (unaudited)		Segment profit/(loss) (unaudited)	
	Six months ended 31 October		Six months ended 31 October	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial Services	1,466	8,993	1,060	125
Securities	1,766	–	1,756	(10,081)
Property	2,799	3,022	3,369	9,854
Technology & Media	12	5,000	(1,191)	211
Food & Beverage	156	100	46	29,559
Corporate Treasury Management	4,055	3,832	–	–
Segment total	10,254	20,947	5,040	29,668
Elimination	(4,055)	(3,832)	–	–
Total	<u>6,199</u>	<u>17,115</u>	<u>5,040</u>	<u>29,668</u>
Unallocated items:				
Other revenue			421	254
Administrative and other operating expenses			(6,918)	(5,949)
Finance costs			(229)	(230)
(Loss)/profit before taxation			(1,686)	23,743
Income tax			(27)	(29)
(Loss)/profit for the period			<u>(1,713)</u>	<u>23,714</u>

(b) **Geographical segments**

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

	Six months ended 31 October (unaudited)	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	5,917	16,655
Mainland China	282	325
Macau	–	135
Total	<u>6,199</u>	<u>17,115</u>

(c) **Information about major customers**

Two external customers contribute over 10% of the total revenue of the Group for the six months ended 31 October 2016: approximately HK\$620,000 (2015: approximately HK\$310,000) and approximately HK\$782,000 (2015: approximately HK\$955,000).

4. TURNOVER, OTHER REVENUE AND NET GAINS

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

	Six months ended 31 October (unaudited)	
	2016 HK\$'000	2015 HK\$'000
Turnover		
Income from financial services business	1,466	8,993
Net gain from securities business	1,766	–
Rental income from property business	2,799	3,022
Income from technology & media business	12	5,000
Income from food & beverage business	156	100
	<u>6,199</u>	<u>17,115</u>
Other revenue and net gains		
Bank interest income	62	69
Other interest income	378	209
Gain on disposal of subsidiaries	–	29,459
Exchange gain, net	4	3
Sundry income	56	10
	<u>500</u>	<u>29,750</u>

5. (LOSS)/PROFIT FROM OPERATIONS

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

	Six months ended 31 October (unaudited)	
	2016 HK\$'000	2015 HK\$'000
Staff costs	3,780	4,201
Net realised and unrealised (gain)/loss on financial assets at fair value through profit or loss	(1,766)	9,989
Rental income from investment properties, net of direct outgoings HK\$85,000 (2015: HK\$49,000)	(2,714)	(2,973)

6. FINANCE COSTS

	Six months ended 31 October (unaudited)	
	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings	<u>229</u>	<u>230</u>

7. INCOME TAX

	Six months ended 31 October (unaudited)	
	2016 HK\$'000	2015 HK\$'000
Profits tax: PRC enterprise income tax	<u>27</u>	<u>29</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 (2015: 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 2016 (2015: Nil).

9. (LOSS)/PROFIT PER SHARE

The calculation of basic loss per share is based on the unaudited condensed consolidated loss for the six months ended 31 October 2016 of approximately HK\$1,713,000 (2015: profit of approximately HK\$23,714,000) and on the weighted average number of 175,622,265 (2015: 150,120,666) shares in issue during the current period.

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

10. ACCOUNTS RECEIVABLE

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

	31 October 2016 <i>HK\$'000</i> (unaudited)	30 April 2016 <i>HK\$'000</i> (audited)
Recoverable on demand	<u><u>4,050</u></u>	<u><u>4,050</u></u>

Accounts receivable related to an independent customer for whom there was no recent history of default. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of the accounts receivable as there has 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.

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

11. 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 29 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group generated turnover of approximately HK\$6.2 million (2015: approximately HK\$17.1 million) with a loss for the six months ended 31 October 2016 of approximately HK\$1.7 million (2015: profit of approximately HK\$23.7 million). Apart from the accounting treatment of the one-time disposal gain on subsidiaries, as previously announced on 12 October 2015, the Group's loss would have been approximately HK\$5.7 million for the six months ended 31 October 2015.

We have been working on continuing to expand and broaden the customer base for our Financial Services business in order to strengthen and diversify its income stream. Our Securities business has reported a realised/unrealised gain during the period and we will seek to continue to achieve risk-adjusted returns. Our Property business has been contributing a steady growth of rental income, and we will continue to seek further suitable investment opportunities. We will continue to explore different potential business or investment opportunities to diversify income sources in our Technology & Media business. Our Food & Beverage business is pursuing suitable investment opportunities in smaller-scale, and more casual food & beverage operations and related businesses.

Business Review

Financial Services

During the period, the revenue of our financial services business was approximately HK\$1,500,000 (2015: approximately HK\$9,000,000) with business segment profit for the period of approximately HK\$1,100,000 (2015: profit of approximately HK\$100,000).

Securities

Our securities business recorded a net realised and unrealised profit on trading of securities investment of approximately HK\$1,800,000 (2015: loss of approximately HK\$10,000,000), which contributed a profit for our securities segment of approximately HK\$1,800,000 for the six months ended 31 October 2016 (2015: loss of approximately HK\$10,100,000).

Property

The revenue of the Group's property business segment was approximately HK\$2,800,000 (2015: approximately HK\$3,000,000). The business segment contributed a profit of HK\$3,400,000 (2015: profit of approximately HK\$9,900,000) to the Group. Excluding the gain on unrealised fair value, the recurring profit of the property business segment would have been approximately HK\$2,500,000 (2015: approximately HK\$2,600,000).

Technology & Media

Our technology & media business recorded revenue of approximately HK\$12,000 (2015: approximately HK\$5,000,000) with business segment loss for the period of approximately HK\$1,200,000 (2015: profit of approximately HK\$200,000).

Food & Beverage

Our food & beverage business recorded revenue of approximately HK\$156,000 during the period (2015: approximately HK\$100,000), resulting in a segment profit of approximately HK\$46,000 (2015: profit of approximately HK\$100,000).

Prospects

Looking forward, the global financial markets and business environment are expected to remain uncertain, and the Group will cautiously identify and explore further investment and business opportunities.

Financial Review

Liquidity and Financial Resources

The Group maintained cash and bank balances as at 31 October 2016 amounting to approximately HK\$58.0 million (30 April 2016: approximately HK\$72.4 million). The Group's current ratio as at 31 October 2016 was 3.7 (30 April 2016: 3.8). The total equity of the Group amounted to approximately HK\$335.9 million (30 April 2016: approximately HK\$310.0 million) as at 31 October 2016.

Gearing

The gearing ratio, as a ratio of bank borrowings to total equity, was 0.09 as at 31 October 2016 (30 April 2016: 0.10).

Exchange Rate Exposure

The Group's assets, liabilities and cash flow from operations are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The Group currently does not have any related foreign exchanges hedges, however the Company monitors its foreign exchange exposure and will consider hedges should the need arise.

Treasury Policies

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

Employment and Remuneration Policy

As at 31 October 2016, the Group had 15 (30 April 2016: 16) employees in Hong Kong and the PRC. The Group has not experienced any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare, share options and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

OTHER INFORMATION

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standards set out in the Model Code during the six months ended 31 October 2016.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2016 (2015: nil).

Purchase, Sale or Redemption of listed securities

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

Audit Committee

During the current period, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive directors, namely, Fung Ka Keung David, Lam Lee G. and Wong Man Ngar Edna. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 October 2016.

Compliance with the Code on Corporate Governance Practices

During the period under review, the Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, except the deviation from code provisions A.2.1, A.4.1 and A.6.7 of the CG Code as described below.

Under code provision A.2.1, the role of chairman and chief executive officer ("CEO") should be performed by different individuals. Since September 2005, Vong Tat Ieong David, who is a director and CEO of the Company, has also carried out the responsibilities of the chairman of the Company. The Board considers the present structure is more suitable to the Company for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Company's development strategies.

Under code provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors of the Company, including the independent non-executive Directors, are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years as specified in the 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 in the CG Code.

Under code provision A.6.7, independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. There are three independent non-executive Directors of the Company; they were unable to attend the 2016 annual general meeting of the Company held on 27 September 2016 due to their engagement with their other commitments.

By order of the Board
Vong Tat Ieong David
Executive Director

Hong Kong, 29 December 2016

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

* *For identification purpose only*