

vongroup

Vongroup Limited 黃河實業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 318)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2008

The board of directors (the “Directors”) of Vongroup Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 April 2008 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 April	
		2008	2007
	Note	HK\$'000	HK\$'000 (restated)
Turnover	3	464,360	318,324
Other revenue	3	9,596	6,640
Other net income	3	3,846	1,566
Cost of inventories consumed		(74,837)	(84,329)
Cost of trading securities		(270,540)	(92,664)
Cost of forfeited collaterals sold		(207)	(461)
Staff costs		(59,485)	(60,833)
Operating lease rentals		(23,665)	(27,588)
Depreciation and amortisation		(1,539)	(4,363)
Other expenses		(81,860)	(65,826)
Impairment loss on property, plant and equipment		–	(3,875)
Change in fair value of investment properties		5,919	834
Loss from operations	4	(28,412)	(12,575)
Finance costs	5	(305)	(359)
Share of results of:			
Jointly-controlled entity		429	1,115
Associate		987	896
Loss before taxation		(27,301)	(10,923)
Income tax	6	(392)	(4,257)
Loss for the year		(27,693)	(15,180)
Attributable to:			
Equity holders of the Company		(27,214)	(14,948)
Minority interests		(479)	(232)
		(27,693)	(15,180)
Loss per share	7		
Basic		(HK0.47 cents)	(HK0.27 cents)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

		As at 30 April	
	Note	2008 HK\$'000	2007 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment		11,188	2,610
Lease premium for land		5,711	1,292
Investment properties		25,800	8,800
Goodwill		8,988	8,988
Investment in a jointly-controlled entity		1,982	1,368
Rental and utility deposits		6,818	7,871
Deposits paid in respect of acquisition of property, plant and equipment and investment properties		9,126	7,261
Available-for-sale investment		135	135
		<u>69,748</u>	<u>38,325</u>
Current assets			
Lease premium for land		141	27
Inventories		11,741	10,682
Merchandise held for sale		128	361
Accounts receivables	9	443	2,168
Moneylending loan receivables	10	5,175	970
Promissory note receivable		7,798	40,151
Deposits, prepayments and other receivables		7,166	23,899
Amount due from a jointly-controlled entity		178	201
Amount due from a related company		–	1
Financial assets at fair value through profit or loss		42,812	11,355
Cash and cash equivalents		328,250	100,686
		<u>403,832</u>	<u>190,501</u>
Current liabilities			
Accounts payables	11	10,265	11,171
Accruals and deposits received		15,461	16,241
Tax payables		20,149	17,694
Finance lease payable – current portion		162	–
Mortgage loans – current portion		828	156
Amount due to a director		91	140
		<u>46,956</u>	<u>45,402</u>
Net current assets		<u>356,876</u>	<u>145,099</u>
Total assets less current liabilities		<u>426,624</u>	<u>183,424</u>
Non-current liabilities			
Other payables		1,241	1,943
Finance lease payable – long-term portion		212	–
Mortgage loans – long-term portion		4,189	5,061
Deferred tax liabilities		591	591
		<u>6,233</u>	<u>7,595</u>
NET ASSETS		<u><u>420,391</u></u>	<u><u>175,829</u></u>
Capital and reserves			
Share capital		5,864	5,587
Reserves		398,813	131,474
		<u>404,677</u>	<u>137,061</u>
Minority interests		15,714	38,768
TOTAL EQUITY		<u><u>420,391</u></u>	<u><u>175,829</u></u>

1. PRINCIPAL ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

b) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with HKFRSs and under the historical cost convention, except for the available-for-sale financial assets, investment properties and financial assets at fair value through profit or loss that have been measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

c) Amendments, new standards and interpretations issued and effective for the year ended 30 April 2008

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group’s financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and presentation.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

d) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 April 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 April 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 and HKAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 2 Amendment	Share-based Payment-Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

2. 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
Properties investment:	Letting of properties
Smart-card financial services business:	Smart-card financial services business
Restaurant operation:	Catering services through the operation of a chain of Chinese restaurants

The following tables present revenue, result and certain asset, liability and expenditure information for the Group's business segments.

	Consumer finance		Securities investment		Properties investment		Smart-card financial services business		Restaurant operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000	2007 HK\$'000 (restated)
Segment revenue:												
Turnover	1,252	1,082	266,165	99,944	396	192	-	-	196,547	217,106	464,360	318,324
Other revenue and net income	818	1,140	5,662	227	-	-	2,372	1,198	1,953	3,888	10,805	6,453
Total	<u>2,070</u>	<u>2,222</u>	<u>271,827</u>	<u>100,171</u>	<u>396</u>	<u>192</u>	<u>2,372</u>	<u>1,198</u>	<u>198,500</u>	<u>220,994</u>	<u>475,165</u>	<u>324,777</u>
Segment results	<u>379</u>	<u>523</u>	<u>1,287</u>	<u>7,507</u>	<u>6,139</u>	<u>982</u>	<u>(12,639)</u>	<u>(359)</u>	<u>(5,211)</u>	<u>(9,640)</u>	<u>(10,045)</u>	<u>(987)</u>
Unallocated other revenue											2,637	1,753
Unallocated expenses											<u>(21,004)</u>	<u>(13,341)</u>
Loss from operations											<u>(28,412)</u>	<u>(12,575)</u>
Finance costs											<u>(305)</u>	<u>(359)</u>
Share of results of:												
Jointly-controlled entity	-	-	-	-	-	-	-	-	429	1,115	429	1,115
Associate	-	-	-	-	-	-	-	-	987	896	987	896
Loss before taxation											<u>(27,301)</u>	<u>(10,923)</u>
Income tax											<u>(392)</u>	<u>(4,257)</u>
Loss for the year											<u><u>(27,693)</u></u>	<u><u>(15,180)</u></u>

	Consumer finance		Securities investment		Properties investment		Smart-card financial services business		Restaurant operation		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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)		(restated)		(restated)		(restated)
Segment assets	22,010	27,838	330,842	34,296	33,265	8,849	24,263	56,474	44,128	67,179	454,508	194,587
Investment in a jointly- controlled entity	-	-	-	-	-	-	-	-	1,982	1,368	1,982	1,368
Unallocated assets											17,090	32,871
Total assets											473,580	228,826
Segment liabilities	727	1,209	651	99	64	5,302	75	56	45,795	45,106	47,312	51,772
Unallocated liabilities											5,877	1,225
Total liabilities											53,189	52,997
Other segment information:												
Capital expenditure	21	176	-	-	11,092	7,966	611	23	12,380	2,619	24,104	10,784
Unallocated amounts											1,240	2,757
											25,344	13,541
Depreciation and amortisation	161	70	-	-	-	-	5	5	1,166	4,194	1,332	4,269
Unallocated amounts											207	94
											1,539	4,363
(Reversal of impairment)/ impairment loss on amount due from an associate	-	-	-	-	-	-	-	-	(314)	1,801	(314)	1,801
Impairment loss on property, plant and equipment	-	-	-	-	-	-	-	-	-	3,875	-	3,875
(Gain)/loss on disposal of property, plant and equipment	-	-	8	-	-	-	-	-	(1,388)	(542)	(1,380)	(542)

Geographical segments

The Group's operations are carried out in Hong Kong and PRC. Consumer finance business is carried out in Hong Kong and PRC, and smart-card financial services business is carried out in PRC. Securities investment and properties investment are carried out in Hong Kong. Restaurant operation is carried out in Hong Kong and PRC.

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		PRC		Consolidated	
	2008 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000	2007 HK\$'000 (restated)
Segment revenue:						
Turnover	<u>416,736</u>	<u>272,241</u>	<u>47,624</u>	<u>46,083</u>	<u>464,360</u>	<u>318,324</u>
Other segment information:						
Segment assets	425,515	183,555	48,065	45,271	473,580	228,826
Capital expenditure	<u>21,613</u>	<u>11,216</u>	<u>3,731</u>	<u>2,325</u>	<u>25,344</u>	<u>13,541</u>

3. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

The principal activities of the Group are providing consumer finance, smart-card financial services business, securities investment, properties investment and restaurant operations.

Turnover represents income from consumer finance, smart-card business, securities investment, properties investment and restaurant operations received or receivable during the year.

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

	Group	
	2008 HK\$'000	2007 HK\$'000 (restated)
Turnover		
Income from restaurant operations	196,547	217,106
Sales of trading securities	266,165	99,944
Moneylending loan service charge income	1,040	590
Sales of forfeited collaterals	212	492
Gross rental income from an investment property	396	192
	<u>464,360</u>	<u>318,324</u>
Other revenue		
Bank interest income	6,887	2,894
Loan interest income	2,299	1,151
Total interest income on financial assets not at fair value through profit or loss	9,186	4,045
Sundry income	410	2,415
Written back of other payables	-	180
	<u>9,596</u>	<u>6,640</u>
Other net income		
Exchange gain, net	2,466	1,024
Net gain on disposal of property, plant and equipment	1,380	542
	<u>3,846</u>	<u>1,566</u>

4. LOSS FROM OPERATIONS

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (restated)
Cost of inventories consumed	74,837	84,329
Cost of trading securities	270,540	92,664
Cost of forfeited collaterals sold	207	461
Staff costs (including directors' emoluments):		
Wages and salaries	57,677	58,839
Retirement benefits scheme contributions	1,808	1,994
	59,485	60,833
(Reversal of impairment)/impairment loss on amount due from an associate	(314)	1,801
Auditors' remuneration	758	620
Depreciation and amortisation	1,539	4,363
Research and development costs [△]	17,600	–
Impairment loss on property, plant and equipment	–	3,875
Operating lease charges in respect of land and buildings	23,665	27,588
Rental income from an investment property less direct outgoings of HK\$14,000 (2007: HK\$8,000)	(382)	(184)
Dividend income from listed securities	(110)	(256)
Net realised gain on financial assets at fair value through profit or loss	(4,606)	(7,445)
Net unrealised loss on financial assets at fair value through profit or loss [#]	9,091	421

[△] This item is included in other expenses.

[#] This item is included in cost of trading securities.

5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on banks and mortgage loans	211	221
Interest on finance lease	14	–
Other interests paid	80	138
Total interest expense on financial liabilities not at fair value through profit or loss	305	359

6. INCOME TAX

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Provision for the year Outside Hong Kong	<u>392</u>	<u>4,257</u>
Income tax for the year	<u><u>392</u></u>	<u><u>4,257</u></u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years.

Hong Kong profits tax, if any, is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year. Taxes on profits assessable other than Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the year is based on the net loss attributable to equity holders of the Company of HK\$27,214,000 (2007: HK\$14,948,000) and the weighted average number of 5,809,552,703 (2007: 5,587,385,900) ordinary shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share is not presented as there was no dilutive potential ordinary shares in existence in both years.

8. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 30 April 2008 (2007: Nil).

9. ACCOUNTS RECEIVABLES

The general credit terms granted by the Group to its customers range 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 aged analysis of the Group's accounts receivables as at balance sheet date is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (restated)
Within 30 days	46	442
31 - 90 days	256	673
91 - 180 days	41	477
Over 180 days	<u>100</u>	<u>576</u>
	<u><u>443</u></u>	<u><u>2,168</u></u>

10. MONEYLENDING LOAN RECEIVABLES

The Group offers loans secured by tangible personal property, such as real estate and jewellery, commonly known as moneylending loans. A typical moneylending loan generally has a term of 30 to 180 days.

All the Group's moneylending loan receivables in PRC are denominated in Renminbi. The moneylending loan receivables in PRC carry interest at a monthly effective rate of approximately 0.5% mark up over the 6-month bank lending rate that is announced by the People's Bank of China.

11. ACCOUNTS PAYABLES

The aging of the Group's accounts payables is analysed as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	4,271	5,549
31 - 90 days	5,248	5,458
91 - 180 days	354	117
181 - 360 days	392	34
Over 360 days	—	13
	<u>10,265</u>	<u>11,171</u>

The accounts payables are non-interest bearing and are normally settled on 90-day terms. The carrying amounts of the accounts payables at the balance sheet date approximated their fair values.

12. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the recent year and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the year ended 30 April 2008, the Group generated turnover of HK\$464.4 million, an increase of approximately 45.9% or HK\$146.1 million, from approximately HK\$318.3 million for last year with a loss for the year of approximately HK\$27.7 million (2007: approximately HK\$15.2 million). The loss for the current year is mainly due to the research and development cost incurred for different business units.

As at 30 April 2008, the Group maintained a strong financial position with consolidated net current assets of HK\$356.9 million (2007: HK\$145.1 million) (an increase of approximately 246%) and consolidated net assets of HK\$420.4 million (2007: HK\$175.8 million) (an increase of approximately 239%) respectively.

BUSINESS REVIEW

Consumer Finance Business

During the year, we successfully transitioned our business from a traditional “pawn shop” which mainly provided small loan balances to individuals in the past to a “financial services company” for selective small and medium enterprise (“SME”) owners in view of their increasing demand for short-term working capital. During the fiscal year ended 30 April, 2008, the turnover was HK\$1.3 million which was similar to that in 2007, but the composition was substantially different. More than half of the turnover was generated from secured loans to SME owners. The outstanding loan receivables as at 30 April 2008 was HK\$5.2 million which was significantly higher than the balance of HK\$1.0 million in 2007. We expect that such demand will increase in line with the economic development of China and the continuing tightening of banks’ liquidity, and we have begun to plan towards applying for a new branch in Beijing.

In addition to the PRC market, the Group started to explore business opportunities in the consumer finance market in Hong Kong. In October 2007, the Group obtained its money lender’s licence under the Money Lenders Ordinance (Chapter 163 of Laws of Hong Kong) and started its consumer finance business in Hong Kong. Being licensed both in PRC and Hong Kong, the Group is therefore equipped to capture the market of the owners of SMEs with businesses both in PRC and Hong Kong, to facilitate them and give them flexibility to expand their businesses. The Group will continue to identify opportunities to expand its consumer finance business.

Smart-card Financial Services Business

In 2008, we successfully implemented our innovative “e-ticket” system at Beijing Shijingshan Sculpture Park. Beijing Shijingshan Sculpture Park is now positioned as a showcase to demonstrate how our system, by using advanced RFID technology, helps the management of high-traffic venues to control and monitor their traffic flow, and to deploy a new digital media and advertising platform to increase their revenue and help in information dissemination. Such an on-site showcase has been useful in expediting the process of promoting the user-friendliness of the system to major tourist sites and other high-traffic venues in the PRC.

During the process of developing the e-ticket system, we identified different business opportunities with significant potential by utilizing RFID technology. In the current year, we have invested about HK\$12.1 million in research and development to deploy an “e-wallet” system based on the e-ticket system. This research and development cost incurred resulted in a segment loss of HK\$12.6 million for the current year.

Securities Investment and Properties Investment

During the current year, the Group continued to develop its securities investment and properties investment businesses. The turnover on trading of securities amounted to HK\$266.2 million (2007: HK\$99.9 million) and the Group purchased one investment property and committed to purchase 6 more investment properties during the year. The securities investment segment contributed a profit of HK\$1.3 million for the current year (2007: HK\$7.5 million). The properties investment segment contributed a profit of HK\$6.1 million for the current year (2007: HK\$1.0 million).

Restaurant Business

Our restaurant business continues to face a challenging market environment. During the year, we closed a restaurant in Hong Kong and a restaurant in Shenzhen as a result of the increases in rental expenses, staff costs, material costs and fuel costs. Turnover for the restaurant operation dropped from HK\$217.1 million in 2007 to HK\$196.5 million for the year ended 30 April 2008 and a loss of HK\$5.2 million (2007: HK\$9.6 million) was recorded in ordinary restaurant activities.

SEASONAL/CYCLICAL FACTORS

The sales volume during festive periods is normally higher than the sales volume in the slack periods of the year for restaurant operation only.

FINANCIAL REVIEW

Share capital

In July, 2007, a top-up placement was made, where Deutsche Bank AG, acting through its London Branch, acquired shares of the Company at HK\$1.141 per Share, representing approximately 4.9% of the issued share capital of the Company at that time. The net proceeds from the placing of approximately HK\$296.1 million were used as additional working capital of the Group.

As at 30 April 2008, the Company had 5,863,960,900 shares in issue with total shareholders' funds of the Group amounting to HK\$404.7 million.

Liquidity and financial resources

The Group maintains a strong financial position with cash and cash equivalents of the Group as at 30 April 2008 amounting to HK\$328.3 million (2007: HK\$100.7 million). The Group's current ratio as at 30 April 2008 is 8.6 (2007: 4.2). The total equity of the Group amounted to HK\$420.4 million (2007: HK\$175.8 million) as at 30 April 2008.

Gearing

The gearing ratio, as a ratio of bank loans to total equity, was 0.01 as at 30 April 2008 (2007: 0.03).

Exchange Rate Exposure

As at 30 April 2008, the Group's cash and cash equivalents amounted to HK\$328.3 million, the majority of which is 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. The interest rates of most of the borrowings, if applicable, is charged by reference to prevailing market rates.

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 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 30 April 2008, a number of current employees achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance should their employment be terminated under certain prescribed circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that there will be a material future outflow of resources from the Group in respect thereof. The Group has a contingent liability in respect of possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$1,205,000 (2007: HK\$1,200,000) at 30 April 2008.

- c) As at 30 April 2007 and 2008, the Company provided corporate guarantee to a landlord to the extent of approximately HK\$370,000 in respect of the operating lease payments of a subsidiary. No recognition of such guarantee was made for the years ended 30 April 2007 and 2008 because the directors of the Company did not consider it probable that a claim would be made against the Group under the guarantee.

Commitments

The Group has capital commitments, which are contracted but not provided for, in respect of purchase of property, plant and equipment and investment properties amounting to HK\$27.5 million as at 30 April 2008 (2007: nil).

FUTURE PROSPECTS

The business environment remains challenging in the coming financial year due to the unsettled global macro-economic environment including fluctuating economic situation in the US, continued inflation threat in the PRC and Hong Kong, and concern about possible overheating of the economy in China.

Despite difficulties in the recent general economic situation, the Group will continue to keep a proactive approach riding on the potential opportunity to provide consumer finance and smart-card financial services in PRC and Hong Kong to achieve favorable returns for our shareholders.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 April 2008, the Group had 452 (2007: 630) 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.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 30 April 2008. The Company did not redeem any of the Company's listed securities during the year.

CORPORATE GOVERNANCE REPORT

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (“the Code”) contained in appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) with certain exceptions as follows:

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 the provisions of the Articles, 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 Code.
2. In accordance with the code provision, the role of chairman and chief executive officer (“CEO”) should be performed by different individuals. Since September 2006, Mr. Vong Tat Ieong, David, who is 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.

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 in respect of securities transactions of the directors (the “Model Code”). Having made specific enquiry of all directors, the Company has confirmed that all directors have complied with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions during the year.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors with Dr. Lee G. Lam as the chairman. Amongst other duties, the principal duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company.

The Group’s final results for the year ended 30 April 2008 have been reviewed by the Company’s Audit Committee.

AUDITORS

CCIF CPA Limited acted as auditors of the Company for the year ended 30 April 2008. CCIF CPA Limited has been appointed to act as the auditors of the Company with effect from 25 July 2007. RSM Nelson Wheeler were the auditors of the Company before the appointment of CCIF CPA Limited.

CCIF CPA Limited will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 30 April 2008 as set out in the preliminary announcement have been agreed by the Group's auditors, CCIF CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the preliminary announcement.

PUBLICATION OF FINANCIAL INFORMATION

The results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.thevongroup.com). The Company's 2008 annual report containing all the information required by the Listing Rules will be despatched to shareholders and will be available on the above websites in due course.

By order of the Board
VONGROUP LIMITED
Vong Tat Jeong, David
Executive Director

Hong Kong, 25 August 2008

As at the date of this announcement, the board of the Company comprises three executive Directors, namely: Mr. Vong Tat Jeong, David, Mr. Wong Chi Man 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*