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 2018

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 2018, 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 2018

		Six months ended 31 October (unaudited)	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Turnover	4	**20,568**	7,067
Other revenue and net gains	4	**545**	552
Staff costs		**(3,777)**	(2,620)
Operating lease rentals		**(324)**	(293)
Depreciation and amortisation		**(387)**	(383)
Operating expenses		**(8,525)**	(5,128)
Administrative expenses		**(5,120)**	(3,176)
Change in fair value of investment properties		**6,200**	2,938
Profit/(loss) from operations	5	**9,180**	(1,043)
Finance costs	6	**(336)**	(254)
Profit/(loss) before taxation		**8,844**	(1,297)
Income tax	7	**–**	(60)
Profit/(loss) for the period		**8,844**	(1,357)
Other comprehensive (expense)/income			
Exchange differences arising on translation of foreign operations		**(2,040)**	995
Total comprehensive income/(expense) for the period		**6,804**	(362)
Profit/(loss) for the period attributable to:			
Owners of the Company		**8,844**	(1,357)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		**6,804**	(362)
Earnings/(loss) per share			
Basic and diluted	9	**HK$0.046**	HK$(0.0071)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 October 2018

	Note	**31 October 2018** *HK$'000* **(unaudited)**	30 April 2018 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**13,470**	13,838
Investment properties		**237,492**	232,073
Deposits paid for acquisition of property, plant and equipment		**367**	367
Available-for-sale investments		**40,745**	48,499
		292,074	294,777
Current assets			
Forfeited collateral held for sale		**700**	768
Accounts receivable	*10*	**15,716**	16,924
Loans and advances to money lending customers		**11,870**	12,851
Deposits, prepayments and other receivables		**48,715**	40,596
Financial assets at fair value through profit or loss		**7,278**	17,355
Cash and bank balances		**49,704**	34,626
		133,983	123,120
Current liabilities			
Accruals and deposits received		**6,662**	4,312
Bank borrowings		**27,194**	28,188
Tax payable		**829**	829
		34,685	33,329
Net current assets		**99,298**	89,791
Total assets less current liabilities		**391,372**	384,568
Non-current liabilities			
Deferred tax liabilities		**801**	801
NET ASSETS		**390,571**	383,767
Capital and reserves			
Share capital		**7,688**	7,688
Reserves		**382,883**	376,079
TOTAL EQUITY		**390,571**	383,767

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 October 2018

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 2018.

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 2018. 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:	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) Six months ended 31 October		**Segment profit/(loss) (unaudited) Six months ended 31 October**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial Services	**2,635**	281	**1,207**	(108)
Securities	**(2,029)**	2,648	**(2,073)**	2,642
Property	**2,590**	1,548	**8,421**	4,176
Technology & Media	**13,022**	2,350	**6,044**	(2,438)
Food & Beverage	**4,350**	240	**3,013**	20
Corporate Treasury Management	**3,490**	3,587	**–**	–
Segment total	**24,058**	10,654	**16,612**	4,292
Elimination	**(3,490)**	(3,587)	**–**	–
Total	**20,568**	7,067	**16,612**	4,292
Unallocated items:				
Other revenue			**483**	442
Administrative and other operating expenses			**(7,915)**	(5,777)
Finance costs			**(336)**	(254)
Profit/(loss) before taxation			**8,844**	(1,297)
Income tax			**–**	(60)
Profit/(loss) for the period			**8,844**	(1,357)

(b) Geographical segments

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

	Six months ended 31 October (unaudited)	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**20,173**	6,811
Mainland China	**263**	256
Macau	**132**	–
Total	**20,568**	7,067

(c) Information about major customers

The Group has a wide customer base and no single customer contributed more than 10% of the Group's revenue for the six months ended 31 October 2018 (2017: nil).

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)	
	2018	2017
	HK$'000	*HK$'000*
Turnover		
Income from financial services business	**2,635**	281
Realised gain on equity investments at fair value through profit or loss ("FVTPL")*	**40**	317
Unrealised (loss)/gain on equity investments at FVTPL	**(2,532)**	1,963
Rental income from property business	**2,590**	1,548
Income from technology & media business	**13,022**	2,350
Income from food & beverage business	**4,350**	240
Dividend income on equity investments	**463**	368
	20,568	7,067

* The gross proceeds from disposal of equity investments at FVTPL for the period were approximately HK$12,599,000 (2017: approximately HK$1,017,000).

Other revenue and net gains		
Bank interest income	**62**	50
Other interest income	**375**	375
Gain on disposal of property, plant and equipment	**–**	35
Management income	**108**	92
	545	552

5. PROFIT/(LOSS) FROM OPERATIONS

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

	Six months ended 31 October (unaudited)	
	2018	2017
	HK$'000	*HK$'000*
Staff costs	**3,777**	2,620
Rental income from investment properties, net of direct outgoings of approximately HK$57,000 (2017: approximately HK$137,000)	**(2,533)**	(1,411)

6. FINANCE COSTS

	Six months ended 31 October (unaudited)	
	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**336**	254

7. INCOME TAX

	Six months ended 31 October (unaudited)	
	2018	2017
	HK$'000	*HK$'000*
Profits tax:		
PRC enterprise income tax	**–**	–
Deferred tax	**–**	60
Income tax charge for the period	**–**	60

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 (2017: 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 2018 (2017: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following:

	2018	2017
	HK$'000	*HK$'000*
Earnings/(loss) for the period		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	**8,844**	(1,357)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**192,189,833**	192,189,833

10. ACCOUNTS RECEIVABLE

	31 October 2018	30 April 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Accounts receivable	**15,716**	16,924

The following is an ageing analysis of accounts receivable based on the invoice date at the end of the reporting periods:

	31 October 2018	30 April 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**6,482**	10,042
31 to 60 days	**4,182**	972
61 to 90 days	**2,382**	602
91 to 180 days	**2,670**	1,062
Over 180 days	**–**	4,246
	15,716	16,924

The Group generally allows an average credit period range from 30 to 120 days to its customers. Accounts receivable that were neither past due nor impaired related to customers for whom there was no default. Accounts receivable that were past due but not impaired related to customers that have good creditworthiness. Based on past experience, the management considered no impairment is necessary as there has not been a significant change in credit quality of these balances, which are still considered fully recoverable.

Ageing analysis of accounts receivable which are past due but not impaired

Accounts receivable disclosed above include amounts (see below for ageing analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an ageing analysis of accounts receivable of the Group which are past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

	31 October 2018	30 April 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Neither past due nor impaired	**8,602**	10,842
Within 30 days	**3,422**	1,662
31 to 60 days	**1,862**	602
61 to 90 days	**780**	972
91 to 180 days	**1,050**	212
Over 180 days	**–**	2,634
	15,716	16,924

Accounts receivable related to independent customers. 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 no 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 24 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

We have continued to engage in a diversified portfolio of business activities that are largely synergistic with one another, in order to generate greater value and opportunities. The Group's business strategy has shown itself to have continued to generate profit during the period under review as well as the year ended 30 April 2018, continuing our growth after our turnaround during that year.

During the period under review, the Group successfully generated increased revenue of approximately HK$20.6 million (2017: approximately HK$7.1 million) and successfully secured a pipeline of business that is expected to generate further revenue in the remainder of the year ending 30 April 2019, with profit for the period under review of approximately HK$8.8 million (2017: loss of approximately HK$1.4 million). In addition to revenue, the Group also recorded gross proceeds from the sale of securities of approximately HK$12.6 million (2017: approximately HK$1.0 million).

Our two-pronged approach of value gain and rental income has optimized value creation for our shareholders for the period under review. We will continue this strategy. Our Property business has continued to engage in acquiring, managing and operating undervalued properties, including (i) commercial properties (retail and offices), especially in Kowloon East CBD, in line with the government's CBD 2.0 policy to transform Kowloon East, (ii) residential properties, especially at prime locations, and (iii) carpark properties, especially at locations with a low carpark density. These properties are located at regional locations that we believe are considered to be higher quality for property demand, primarily in Hong Kong, but also in the PRC and Macau. These properties are acquired, managed and operated for both value gain and rental income strategies. As a result, (a) income from our properties can be from both disposal proceeds as well as from rental receipts, and (b) fair value gains from our properties are recorded as profit.

Our Technology & Media business has continued to focus on media, fintech and entertainment and related technology services and products, providing full one-stop service to clients to analyse, design, develop, operate and maintain integrated e-commerce and other online commercial platforms and products, for different business models and industries. Following the breakthrough of advanced fintech technologies and our continued effort in product development and related business development, in particular in relation to multi-language, multi-currency fintech systems, we have now continued to profit in our Technology & Media business.

Our Food & Beverage business has also focused on (i) casual food & beverage businesses and related businesses, that are operated from relatively smaller size locations instead of large floor-area restaurants, including our minority equity interest in a food & beverage operator in Hong Kong to which also we contribute our experience in operations and management, (ii) sourcing and distributorship of food & beverage products, including having successfully secured a distributorship from a significant producer of chilled seafood in the PRC, and (iii) providing management services to food & beverage clients.

Our Securities business operates by investing in a diversified portfolio of securities that are listed on recognized stock exchanges with a potential for earnings growth and capital appreciation. Our strategy is to generate and preserve shareholder value, and we do so by adopting a prudent investment policy to invest in securities that have long-term growth potential. This way, we have been continuing to achieve risk-adjusted returns under relatively volatile or uncertain conditions in the global capital markets.

Our Financial Services business provides financial services, as well as business/management related services, including clients with cross-border expansion or activities in Hong Kong, the PRC and Korea.

Business Review

Financial Services

During the period, the revenue of our financial services business was approximately HK$2,635,000 (2017: approximately HK$281,000) with business segment profit for the period of approximately HK$1,207,000 (2017: loss of approximately HK$108,000).

Securities

Our securities business recorded a net realised and unrealised loss on trading of securities investment of approximately HK$2,029,000 (2017: profit of approximately HK$2,648,000), which contributed a loss for our securities segment of approximately HK$2,073,000 for the six months ended 31 October 2018 (2017: profit of approximately HK$2,642,000).

Property

The revenue of the Group's property business segment was approximately HK$2,590,000 (2017: approximately HK$1,548,000). The business segment contributed a profit of approximately HK$8,421,000 (2017: profit of approximately HK$4,176,000) to the Group. Excluding the gain on unrealised fair value, the recurring profit of the property business segment would have been approximately HK$2,221,000 (2017: approximately HK$1,238,000).

Technology & Media

Our technology & media business recorded revenue of approximately HK$13,022,000 (2017: approximately HK$2,350,000) with business segment loss for the profit of approximately HK$6,044,000 (2017: loss of approximately HK$2,438,000).

Food & Beverage

Our food & beverage business recorded revenue of approximately HK$4,350,000 during the period (2017: approximately HK$240,000), resulting in a segment profit of approximately HK$3,013,000 (2017: profit of approximately HK$20,000).

FUTURE PROSPECTS

With our successful generation of profit during the period under review, as well as our turnaround during the year ended 30 April 2018, we believe that we are well-positioned for continued future growth, notwithstanding the uncertainties presented in the global and local business environment, including current trade wars. We believe that this is in no small part due to the way that we operate synergistic cross-segment businesses, with management and operational staff who have significant experience in inter-disciplinary business management and operations, especially in cross-border businesses.

In particular, continuing with our successful generation of revenue and profit from our properties, we intend to continue to manage and operate a portfolio of properties that present both value gain and also rental income, especially commercial properties in high demand areas like Kowloon East CBD which is in line with government policy to transform and create Hong Kong's CBD 2.0. And with increasing use of technology and decentralization in occupier strategy, we believe that Kowloon East CBD is well-equipped to continue to grow and outperform many other emerging commercial submarkets and establish itself as a new CBD for Hong Kong. We will continue to closely monitor the market and determine the optimum times for reducing our weighting in residential properties and increasing our weighting in Kowloon East CBD commercial properties. We also seek to maintain and reinforce our value by recognising the importance of maintaining long-term good relationships with our core stakeholders, for example, tenants, property agents and professional bodies.

We also seek to strive to continue the growth that we have already achieved as we have emerged from a temporary period of investment phase in technology & media to profit during the period under review and the year ended 30 April 2018. We believe that fintech will be the big breakthrough for businesses across many industries. Our synergistic mode of operation and management has been successful in generating clients and business from cross-disciplinary business development efforts, for example, fintech-related services for non-financial sector clients. With increased client demand in advancement of fintech and blockchain technologies, as well as market recognition of our Group's products in fintech, we are now seeing significantly increased demand for our fintech services and products, strengthening our revenue and profit, and we are optimistic that we stand in a good position to secure increased business from clients in this sector in the coming year, growing from the successful turnaround that we have already achieved in the past year.

And in food & beverage, we believe that our current operations and management expertise will be a strong basis to continue the growth that we have seen in the past year by potentially securing increased business through expansion of our product lines, including potentially seeking suitable food & beverage operations for acquisition or collaboration, expansion of our sourcing and distributorship business, and growth of our business/management services for food & beverage companies synergistically with our financial services division. We also will continue to enhance our e-commerce capabilities, synergistically with our technology & media division. In addition, with our growing business network in Korea, we intend to expand our product lines to other food & beverage products as well as potentially similar businesses, including lifestyle products and services, thus creating new revenue streams for our Group.

Overall, we are excited by our business development in Hong Kong and overseas and will continue to expand in our interdisciplinary and synergistic way. As we have now successfully executed our turnaround to profit during the period under review and the year ended 30 April 2018, we look ahead to continued growth in our directions of strength, while placing tremendous effort on diversifying our Group's existing business portfolio, all the while being mindful of achieving sustainable growth. This will call for our Group's competitive edges to be exhibited to grasp emerging opportunities, and thereby access new revenue streams, increase existing revenue streams, and deliver greater returns for our shareholders.

Financial Review

Liquidity and Financial Resources

The Group maintained cash and bank balances as at 31 October 2018 amounting to approximately HK$49.7 million (30 April 2018: approximately HK$34.6 million). The Group's current ratio as at 31 October 2018 was 3.9 (30 April 2018: 3.7). The total equity of the Group amounted to approximately HK$390.6 million (30 April 2018: approximately HK$383.8 million) as at 31 October 2018.

Gearing

The gearing ratio, as a ratio of bank borrowings to total equity, was 0.07 as at 31 October 2018 (30 April 2018: 0.07).

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 2018, the Group had 25 (30 April 2018: 25) 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 2018.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2018 (2017: 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 2018.

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 and periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code, except for 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 provisions of the Company's articles of association. 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 2018 annual general meeting of the Company held on 3 October 2018 due to their engagement with their other commitments.

By order of the Board
Vong Tat Ieong David
Executive Director

Hong Kong, 24 December 2018

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*