

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 2007

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 2007 together with comparative figures for the previous year were as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 April	
		2007	2006
	Note	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Revenue	3	218,188	217,626
Other income	3	16,099	2,844
Cost of inventories consumed		(84,329)	(79,761)
Cost of merchandise sold		(461)	(67)
Staff costs		(60,014)	(55,225)
Operating lease rentals		(27,588)	(23,583)
Depreciation and amortisation		(4,363)	(10,373)
Other expenses		(67,066)	(67,341)
Impairment loss on property, plant and equipment		(3,875)	(13,776)
Change in fair value of investment property		834	–
Operating loss		(12,575)	(29,656)
Finance costs	4	(359)	(101)
Share of results of:			
Jointly-controlled entity		1,115	(171)
Associate		896	615
Loss before tax		(10,923)	(29,313)
Income tax	5	(4,257)	(4,905)
Loss for the year from continuing operations		(15,180)	(34,218)
Discontinued operation			
Loss for the year from discontinued operation	6	–	(23,697)
Loss for the year	7	(15,180)	(57,915)
Attributable to:			
Equity holders of the Company		(14,948)	(57,915)
Minority interests		(232)	–
		(15,180)	(57,915)
Loss per share			
From continuing and discontinued operations	9		
Basic		(HK0.27 cents)	(HK1.55 cents)
Diluted		N/A	N/A
From continuing operations			
Basic		(HK0.27 cents)	(HK0.92 cents)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

		As at 30 April	
	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment		2,610	6,501
Land use rights		1,319	–
Investment property		8,800	–
Goodwill		8,988	8,988
Investment in a jointly-controlled entity		1,368	1,119
Investment in an associate		–	–
Rental and utility deposits		7,871	7,594
Deposits paid in respect of acquisition of property, plant and equipment		5,500	4,858
Deposit paid in respect of restaurant operations		–	3,000
Available-for-sale investment		135	–
		<u>36,591</u>	<u>32,060</u>
Current assets			
Inventories		10,682	13,657
Merchandise held for sale		361	14
Accounts receivables	10	3,191	1,973
Moneylending loan receivables	11	970	2,178
Promissory note receivable		39,000	–
Deposits, prepayments and other receivables		36,866	12,187
Staff advances		665	638
Amount due from a jointly-controlled entity		201	312
Amount due from a related company		1	8
Financial assets at fair value through profit or loss		11,355	15,782
Cash and cash equivalents		88,943	139,451
		<u>192,235</u>	<u>186,200</u>
Current liabilities			
Accounts payables	12	11,171	10,786
Accruals and deposits received		17,041	19,686
Tax payable		16,894	12,412
Bank loan – secured		156	19,417
Finance lease payables		–	34
Amount due to former ultimate holding company		–	278
Amount due to ultimate holding company		–	36
Amounts due to directors		140	508
		<u>45,402</u>	<u>63,157</u>
Net current assets		<u>146,833</u>	<u>123,043</u>
Total assets less current liabilities		<u>183,424</u>	<u>155,103</u>
Non-current liabilities			
Other payables		1,943	1,141
Bank loan – secured		5,061	–
Deferred tax liabilities		591	591
		<u>7,595</u>	<u>1,732</u>
NET ASSETS		<u><u>175,829</u></u>	<u><u>153,371</u></u>
Capital and reserves			
Share capital		5,587	5,587
Reserves		131,474	147,784
		<u>137,061</u>	<u>153,371</u>
Minority interests		38,768	–
TOTAL EQUITY		<u><u>175,829</u></u>	<u><u>153,371</u></u>

1. 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. A summary of the significant accounting policies adopted by the Group is set out below.

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

The Group has adopted the following standards that have been issued and effective for the periods beginning on or after 1 January 2006. The adoption of such standards did not have material effect on these financial statements.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	The fair value option
HKFRS – Int 4	Determining whether an arrangement contains a lease
HK(IFRIC) – Int 8	Scope of HKFRS 2

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 2007 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
HKFRS 7	Financial instruments: disclosures	1 January 2007
HKFRS 8	Operating results	1 January 2009
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007
HK(IFRIC)-Int 9	Reassessment of embedded derivatives	1 June 2006
HK(IFRIC)-Int 10	Interim financial reporting and impairment	1 November 2006
HK(IFRIC)-Int 11	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC)-Int 12	Service Concession arrangements	1 January 2008
HKAS 23 (revised)	Borrowing costs	1 January 2009

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.

(a) Business segments

The Group comprises the following main business segments:

Consumer finance:	Consumer finance business
Smart-card financial services:	Smart-card payment financial services business
Restaurant operation:	Catering services through the operation of a chain of restaurants
Bakery, and other food and beverage operation:	Production, sale and distribution of bakery, and other food and beverage products

The bakery, and other food and beverage operation was discontinued in November 2005.

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

	Continuing operations						Discontinued operation		Eliminations		Consolidated	
	Consumer finance		Smart-card financial services		Restaurant operation		Bakery, and other food and beverage operation					
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:												
Sales to external customers	1,082	146	-	-	217,106	217,480	-	-	-	-	218,188	217,626
Inter-segment sales	-	-	-	-	-	-	-	3,693	-	(3,693)	-	-
Total	1,082	146	-	-	217,106	217,480	-	3,693	-	(3,693)	218,188	217,626
Segment results	23	(554)	(359)	-	(13,985)	(20,097)	-	(20,004)	-	-	(14,321)	(40,655)
Change in fair value of investment property											834	-
Unallocated other income											13,761	2,758
Unallocated expenses											(12,849)	(15,456)
Operating loss											(12,575)	(53,353)
Finance costs											(359)	(101)
Share of results of:												
Jointly-controlled entity	-	-	-	-	1,115	(171)	-	-	-	-	1,115	(171)
Associate	-	-	-	-	-	-	896	615	-	-	896	615
Loss before tax											(10,923)	(53,010)
Income tax											(4,257)	(4,905)
Loss for the year											(15,180)	(57,915)

	Continuing operations						Discontinued operation		Consolidated	
	Consumer finance		Smart-card financial services		Restaurant operation		Bakery, and other food and beverage operation			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	22,339	32,401	56,474	-	67,179	72,535	-	-	145,992	104,936
Investment in a jointly-controlled entity	-	-	-	-	1,368	1,119	-	-	1,368	1,119
Unallocated assets									81,466	112,205
Total assets									228,826	218,260
Segment liabilities	1,209	469	56	-	45,106	27,312	-	-	46,371	27,781
Unallocated liabilities									6,626	37,108
Total liabilities									52,997	64,889
Other segment information:										
Capital expenditure	176	153	23	-	2,619	2,082	-	-	2,818	2,235
Unallocated amounts									1,417	-
									4,235	2,235
Depreciation and amortisation	70	51	5	-	4,194	10,322	-	1,673	4,269	12,046
Unallocated amounts									94	-
									4,363	12,046
Impairment loss on amount due from associate										
- unallocated	-	-	-	-	-	-	-	-	1,801	2,660
Impairment loss on bad and doubtful debts	-	-	-	-	-	-	-	70	-	70
Impairment loss on property, plant and equipment	-	-	-	-	3,875	13,776	-	8,334	3,875	22,110
Impairment loss on goodwill	-	-	-	-	-	-	-	2,395	-	2,395
Net realised gain on disposal of financial assets at fair value through profit or loss										
- unallocated	-	-	-	-	-	-	-	-	(7,445)	(1,092)
Net unrealised loss/(gain) on financial assets at fair value through profit or loss										
- unallocated	-	-	-	-	-	-	-	-	421	(181)
Write-off of inventories	-	-	-	-	-	5	-	16	-	21
Write-off of deposits and other receivables	-	-	-	-	-	759	-	-	-	759
Write-off of rental deposit	-	-	-	-	-	-	-	6,828	-	6,828
Gain on disposal of property, plant and equipment	-	-	-	-	(542)	-	-	-	(542)	-

(b) Geographical segments

The Group's operations are carried out in Hong Kong and Mainland China. Consumer finance and smart-card financial services businesses are carried out in Mainland China. Restaurant operation and bakery, and other food and beverage operation are carried out in Hong Kong and Mainland China.

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

	Continuing operations					
	Hong Kong		Mainland China		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:						
Sales to external customers	<u>172,105</u>	<u>172,372</u>	<u>46,083</u>	<u>45,254</u>	<u>218,188</u>	<u>217,626</u>
Other segment information:						
Segment assets	183,555	178,527	45,271	39,733	228,826	218,260
Capital expenditure	<u>1,910</u>	<u>2,029</u>	<u>2,325</u>	<u>206</u>	<u>4,235</u>	<u>2,235</u>
	Discontinued operation					
	Hong Kong		Mainland China		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:						
Sales to external customers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other segment information:						
Segment assets	-	-	-	-	-	-
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. REVENUE AND OTHER INCOME

An analysis of the Group's revenue, which is also the Group's turnover. The Group's revenue and other income for the year arose from the following activities:

Continuing operations

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue		
Income from restaurant operations	217,106	217,480
Moneylending loan service charge income	590	61
Moneylending loan interest income	–	10
Merchandise sale	492	75
	<u>218,188</u>	<u>217,626</u>
Other income		
Interest income	2,894	1,419
Loan interest income	1,151	–
Rental income	192	–
Exchange gain, net	1,024	86
Dividend income from listed securities	256	7
Sundry income	2,415	59
Written back of other payables	180	–
Gain on disposal of trading securities	7,445	1,092
Unrealised gain on trading securities	–	181
Gain on disposal of property, plant and equipment	542	–
	<u>16,099</u>	<u>2,844</u>

4. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank and mortgage loan	221	92
Interest on finance lease payables	–	9
Other interest paid	138	–
	<u>359</u>	<u>101</u>
Representing:		
Continuing operations	<u>359</u>	<u>101</u>

5. INCOME TAX

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% (2006: 17.5%) of the estimated assessable profit for the year. Taxes on profits assessable outside 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.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current - Hong Kong		
Overprovision in prior years	–	(56)
Current - outside Hong Kong	4,257	4,961
Deferred tax	–	–
	<hr/>	<hr/>
Income tax for the year	<u>4,257</u>	<u>4,905</u>
Representing:		
Continuing operations	<u>4,257</u>	<u>4,905</u>

6. DISCONTINUED OPERATION

In November 2005, the Company's wholly owned subsidiary, 東莞新聯食品有限公司 ceased its bakery, and other food and beverage operation by closing down its factory in Mainland China as the above operation had incurred substantial losses. As a consequence, the bakery, and other food and beverage operation of the Group has been reported as discontinued operation.

The loss for the year from discontinued operation is analysed as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss from discontinued operation	–	(21,302)
Impairment loss on goodwill	–	(2,395)
	<hr/>	<hr/>
	<u>–</u>	<u>(23,697)</u>

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Continuing operations		Discontinued operation		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Cost of inventories consumed	84,329	79,761	-	1,079	84,329	80,840
Staff costs (including directors' emoluments)						
Wages and salaries	58,020	53,316	-	486	58,020	53,802
Retirement benefits scheme contributions	1,994	1,909	-	-	1,994	1,909
	60,014	55,225	-	486	60,014	55,711
Impairment loss on amount due from associate	1,801	2,660	-	-	1,801	2,660
Impairment loss on bad and doubtful debts	-	-	-	70	-	70
Auditors' remuneration	620	550	-	-	620	550
Depreciation and amortisation	4,363	10,373	-	1,673	4,363	12,046
Impairment loss on property, plant and equipment	3,875	13,776	-	8,334	3,875	22,110
Impairment loss on goodwill	-	-	-	2,395	-	2,395
Operating lease rentals in respect of land and buildings	27,588	23,583	-	1,775	27,588	25,358
Write-off of inventories*	-	5	-	16	-	21
Write-off of deposits and other receivables	-	759	-	-	-	759
Write-off of rental deposit	-	-	-	6,828	-	6,828
Dividend income from listed securities	(256)	(7)	-	-	(256)	(7)
Exchange gains, net	(1,024)	(86)	-	-	(1,024)	(86)
Gain on disposal of property, plant and equipment	(542)	-	-	-	(542)	-
Interest income	(2,894)	(1,419)	-	-	(2,894)	(1,419)
Rental income from investment property less direct outgoings of HK\$8,000 (2006: Nil)	(184)	-	-	-	(184)	-
Write-back of other payables	(180)	-	-	-	(180)	-
Net realised gain on disposal of financial assets at fair value through profit or loss	(7,445)	(1,092)	-	-	(7,445)	(1,092)
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	421	(181)	-	-	421	(181)

* This item is included in cost of inventories consumed.

8. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 30 April 2007 (2006: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

From continuing and discontinued operations

The calculation of basic loss per share is based on the loss for the year of approximately HK\$14,948,000 (2006: HK\$57,915,000) and the weighted average number of 5,587,385,900 (2006: 3,738,456,105) ordinary shares in issue during the year.

From continuing operations

The calculation of basic loss per share from continuing operations is based on the loss for the year from continuing operations of approximately HK\$14,948,000 (2006: HK\$34,218,000) and the weighted average number of 5,587,385,900 (2006: 3,738,456,105) ordinary shares in issue during the year.

From discontinued operation

Basic loss per share for the discontinued operation is HKnil cents per share (2006: HK0.63 cents per share) based on the loss for the year from discontinued operation of approximately HK\$nil (2006: HK\$23,697,000) and the weighted average number of 5,587,385,900 (2006: 3,738,456,105) ordinary shares in issue during the year.

(b) Diluted loss per share

There were no dilutive potential shares in issue during the year ended 30 April 2007, accordingly, no diluted loss per share has been presented.

Diluted loss per share for the prior year has not been disclosed as the Company's share options outstanding during the prior year had an anti-dilutive effect on the basic loss per share.

10. ACCOUNTS RECEIVABLES

The general credit terms granted by the Group to its customers range from 30 to 90 days. An aged analysis of the Group's accounts receivables as at balance sheet date, based on invoice date, is as follows:

	2007 HK\$'000	2006 HK\$'000
Within 30 days	1,465	1,402
31 - 90 days	673	211
91 - 180 days	477	230
Over 180 days	576	130
	<u>3,191</u>	<u>1,973</u>

11. MONEYLENDING LOAN RECEIVABLES

The Group offers loans secured by tangible personal property, such as real estate and jewellery, and intangible property, such as shares and other financial instruments, commonly known as moneylending loans. A typical moneylending loan generally has a term of thirty days.

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

12. ACCOUNTS PAYABLES

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	5,549	5,160
31 - 90 days	5,458	5,508
91 - 180 days	117	118
181 - 360 days	34	–
Over 360 days	13	–
	<u>11,171</u>	<u>10,786</u>

13. POST BALANCE SHEET EVENTS

- a) Subsequent to the balance sheet date, in July 2007, the ultimate holding company, the Company and Deutsche Bank AG entered into a placing agreement, pursuant to which Deutsche Bank AG agreed to place on behalf of the ultimate holding company 276,575,000 existing shares to Deutsche Bank AG, at HK\$1.141 per share, representing an aggregate consideration of approximately HK\$316 million.

On the same day, the ultimate holding company entered into a subscription agreement (“Subscription”) with the Company for the subscription of 276,575,000 shares at the same price per share. The placing shares represent approximately 4.9% of the existing issued share capital of the Company and approximately 4.7% of the total issued share capital of the Company as enlarged by the Subscription.

- b) Subsequent to the balance sheet date, two subsidiaries, Berries Limited (“Berries”) and 北京國新萬聯科技有限公司 (“北京國新萬聯”) are established in which China e-ticket Investment Holdings Limited directly holds 100% equity interest in Berries and Berries then holds 100% equity interest in 北京國新萬聯. Berries is incorporated in Hong Kong, with issued share capital of HK\$1. 北京國新萬聯 is a wholly foreign owned enterprise with registered paid-up capital of US\$1.3 million and established in the PRC to be operated for 30 years up to 30 July 2037. Up to the date of the results announcement, the registered paid-up capital has not yet been paid.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

Measures successfully initiated after the change in control of the Company contributed to a significant reduction in net loss for the year, from HK\$57.9 million in 2006 to HK\$15.1 million.

For the year ended 30 April 2007, the Group recorded a net loss for the year of HK\$15.1 million (2006: HK\$57.9 million). As at 30 April 2007, the Group had consolidated net current assets of HK\$146.8 million (2006: HK\$123.0 million) and consolidated net assets of HK\$175.8 million (2006: HK\$153.4 million) respectively.

BUSINESS REVIEW

Consumer Finance Business

After the change in control of the Company, the Company made its first move into the consumer finance sector by acquiring a moneylending business in Beijing in April 2006. The Company provides secured loans, mainly to individuals and SME business owners. The revenue of the moneylending business comprises finance charges at a monthly effective rate of 0.5% based on the 6-month bank lending rate that is announced by the People's Bank of China, with a mark up, plus service charges of up to 4.2% per month, as well as net proceeds of merchandise held for sale. During this post-acquisition transition year when the Company focused efforts on management and organisation improvements, the turnover of the moneylending business for the year ended 30 April 2007 was HK\$1,082,000 (period from 14 April 2006 to 30 April 2006: HK\$146,000). The overall result of the consumer finance business (including other same segment subsidiaries not directly related to the China consumer finance business) recorded a profit of approximately HK\$23,000 (2006: loss of HK\$554,000).

After having acquired the moneylending business for a year and investing time and effort into restructuring the management structure, approval systems, and loan monitoring systems, the Group is familiar with the unique operating environment for the consumer finance business in the PRC. The Group will identify opportunities to expand its consumer finance business in the PRC through acquisitions or establishment of new moneylending branches in other PRC cities.

Restaurant Business

Our restaurant business continues to face a challenging market environment. The decrease in unemployment rate and the increase in consumer spending power are favorable to the Hong Kong retail market. However, increases in rental expenses, staff costs, material costs and fuel costs for our restaurant business have resulted in challenges in our operating environment. Turnover for the restaurant operation for the year ended 30 April 2007 was approximately HK\$217 million (2006: HK\$217 million) and a loss of HK\$14.0 million (2006: HK\$20.1 million) was recorded in ordinary restaurant activities.

NEW ACQUISITION

During this past full transition year following the change of control of the Company, the Group continued to adhere to its mission to focus on business opportunities in the financial services and fast growing consumption related businesses in China. In December 2006, the Group entered into a Subscription, Share Purchase and Shareholders' agreement in relation to Guo Xin China Pay Systems Limited (the "JV Company") for the acquisition of 45% equity interest in the JV Company for an aggregate consideration of up to US\$50 million (approximately HK\$390 million) of which up to US\$24.5 million (approximately HK\$191 million) is an earn-out payment with reference to the China e-Ticket ("CET") business achieving threshold net profit milestone of US\$75 million (approximately HK\$585 million). The JV Company is the 55% shareholder in the CET business, the remaining 45% shareholding interest is owned by 北京國新投資管理有限公司 (SCIO Investment Company Limited), an organization owned by affiliates of the State Council Information Office of the PRC.

CET's rollout implementation timetable targets that within the next 3 years major selected tourist sites in the PRC will have converted their admissions systems into one that deploys CET's contactless smart-cards as their admission/exit ticket, utilizing advanced RFID technology and incorporating attractive multimedia presentation. In the process, CET targets that its smart-card tickets will be a new digital media and advertising platform that focuses on information dissemination and advertising, leveraging on the ability of smart-card tickets to reach large numbers of international tourists and domestic citizens each year.

Substantial research and development work had been carried out in the past few months with the management and operation teams of different tourist sites. A unique system, which will be customised according to the requirements of different sites, has been developed and is in the final testing process. The first site is expected to be launched shortly when the final testing process is completed.

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

Liquidity and financial resources

The cash and cash equivalents of the Group as at 30 April 2007 amounted to HK\$88.9 million (2006: HK\$139.5 million). The Group's current ratio as at 30 April 2007 is 4.23 (2006: 2.95). The total equity of the Group amounted to HK\$175.8 million (2006: HK\$153.4 million) as at 30 April 2007.

Gearing

The gearing ratio, as a ratio of bank loans to total equity, was 0.03 as at 30 April 2007(2006: 0.13).

Exchange Rate Exposure

As at 30 April 2007, the Group's cash and cash equivalents amounted to HK\$88.9 million. Since the majority of the Group's transactions, monetary assets and liabilities are 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, are charged by reference to prevailing market rates.

Contingent liabilities

In December 2005, a legal action was commenced by a former employee of KCCC, a wholly owned subsidiary of the Company, against KCCC for the claim of approximately HK\$1,569,000 for personal injuries, loss and damages suffered during the work in KCCC. In the opinion of the directors, such claim should be adequately covered by the Group' insurance. Hence, no provision has been made in the financial statements.

At 30 April 2007, 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\$1,200,000 (2006: HK\$1,300,000) at 30 April 2007.

At 30 April 2006 and 2007, the Company provided corporate guarantees to landlords in respect of the operating lease payments of its subsidiaries; and banks in respect of the banking facilities granted to its subsidiaries.

FUTURE PROSPECTS

Looking forward, in addition to the present consumer finance business and smart-card financial services business, the Group is continuing to pursue leading-edge initiatives in other areas of financial services and other highly-regulated consumption sectors in China, while optimally sustaining growth from a medium to long-term perspective and maximizing shareholder value.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 April 2007, the Group had 630 (2006: 640) 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 2007.

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, 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 2007 have been reviewed by the Company's Audit Committee.

AUDITORS

In July 2007, RSM Nelson Wheeler resigned as auditors of the Company due to the inability to arrive at a mutually agreeable fee, and CCIF CPA Limited was appointed as auditors of the Company to fill the casual vacancy to hold office until the conclusion of the forthcoming annual general meeting.

CCIF CPA Limited will retire and a resolution for their reappointment 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 2007 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 2007 annual report continuing 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 Ieong David
Executive Director

Hong Kong, 24 August 2007

As at the date of this announcement, the Board comprises three executive directors (Mr. Vong Tat Ieong, David, Mr. Wong Chi Man and Mr. Xu Siping) and three independent non-executive directors (Mr. Fung Ka Keung, David, Dr. Lee G. Lam and Ms. Wong Man Ngar, Edna).

** For identification only*