

vongroup

Vongroup Limited 黃河實業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 318)

INTERIM RESULT FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

The board of directors (the “Board” or “Directors”) of Vongroup Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2007 as follows.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months ended 31 October	
		2007 HK\$'000	2006 HK\$'000 (Restated)
Revenue	2	208,304	128,892
Other income		5,982	2,098
Cost of inventories consumed		(43,449)	(39,233)
Cost on listed securities investments		(100,659)	(25,073)
Staff costs		(26,948)	(29,662)
Operating lease rentals		(12,738)	(12,861)
Depreciation and amortisation expenses		(258)	(4,873)
Other operating expenses		(30,339)	(33,340)
Operating loss	3	(105)	(14,052)
Finance costs		(139)	(62)
Share of results of:			
Jointly controlled entity		(639)	309
Associate		1,459	1,234
Profit/(loss) before taxation		576	(12,571)
Income tax	4	-	(2,282)
Profit/(loss) for the period		576	(14,853)
Attributable to:			
Equity holders of the Company		161	(14,853)
Minority interests		415	-
		576	(14,853)
Dividend	5	Nil	Nil
(Profit)/loss per share			
Basic	6	HK cent 0.01	HK cent (0.27)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31 October 2007 HK\$'000	Audited 30 April 2007 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		3,608	2,610
Land use rights		1,291	1,319
Investment property		8,800	8,800
Goodwill		8,988	8,988
Interest in a jointly controlled entity		930	1,368
Rental and utility deposits		7,188	7,871
Deposits paid in respect of acquisition of property, plant and equipment		5,500	5,500
Available-for-sale investment		135	135
		36,440	36,591
Current assets			
Inventories		11,176	10,682
Merchandise held for sale		369	361
Accounts receivable	7	7,761	3,191
Moneylending loan receivables	8	20,033	970
Promissory note receivable	9	29,250	39,000
Deposits, prepayments and other receivable		22,192	36,866
Staff advances		603	665
Amount due from a jointly controlled entity		-	201
Amount due from a related company		-	1
Financial assets at fair value through profit or loss	10	134,116	11,355
Cash and cash equivalents		265,114	88,943
		490,614	192,235
Current liabilities			
Accounts payable	11	10,809	11,171
Accruals and deposits received		15,146	17,041
Tax payable		17,803	16,894
Bank loan – secured		5,133	156
Amount due to directors		3,745	140
		52,636	45,402
Net current assets		437,978	146,833
Total assets less current liabilities		474,418	183,424
Non-current liabilities			
Other payables		1,565	1,943
Bank loan – secured		-	5,061
Deferred tax liabilities		591	591
		2,156	7,595
NET ASSETS		472,262	175,829
CAPITAL AND RESERVES			
Share capital		5,864	5,587
Reserves		427,215	131,474
		433,079	137,061
Minority interest		39,183	38,768
TOTAL EQUITY		472,262	175,829

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with 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”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the Group’s annual financial statements for the year ended 30 April 2007, except for:

- (i) the adoption of the following new and revised standards and interpretations which have been issued and effective as at the time of preparing this information:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of such standards or interpretations did not result in substantial changes to the Group’s accounting policies.

- (ii) the adoption of the following revenue recognition policy:

Proceeds from sale of trading securities are recognized on the transaction dates.

The adoption of this policy does not have any impact on the results and the financial position of the Group. Only certain comparative amounts have been reclassified to conform the current period’s presentation.

The Group had not early adopted the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ⁽¹⁾
HKFRS 8	Operating Segments ⁽¹⁾
HK(IFRIC)-Int 12	Service Concession Arrangements ⁽²⁾
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁽³⁾
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁽²⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2009

⁽²⁾ Effective for annual periods beginning on or after 1 January 2008

⁽³⁾ Effective for annual periods beginning on or after 1 July 2008

The Directors of the Company anticipate that the adoption of these standards or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group comprises the following main business segments:

Consumer finance:	Consumer finance business
Smart-card financial services:	Smart-card payment financial services business
Securities investments:	Securities investments and trading
Restaurant operation:	Catering services through operation of a chain of restaurants

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 following table presents revenue information and results for the Group's business segments.

	Consumer finance		Smart-card financial services		Securities investments		Restaurant operation		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October		31 October		31 October	
	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
		(Restated)				(Restated)		(Restated)		(Restated)
Revenue	<u>235</u>	<u>664</u>	<u>-</u>	<u>-</u>	<u>108,382</u>	<u>25,900</u>	<u>99,687</u>	<u>102,328</u>	<u>208,304</u>	<u>128,892</u>
Segment results	<u>37</u>	<u>(266)</u>	<u>960</u>	<u>-</u>	<u>7,723</u>	<u>637</u>	<u>(9,006)</u>	<u>(8,434)</u>	<u>(286)</u>	<u>(8,063)</u>
Unallocated other income									<u>3,955</u>	<u>1,097</u>
Unallocated expenses									<u>(3,774)</u>	<u>(7,086)</u>
Operating loss									<u>(105)</u>	<u>(14,052)</u>
Finance costs									<u>(139)</u>	<u>(62)</u>
Share of results of:										
Jointly controlled entity	-	-	-	-	-	-	(639)	309	<u>(639)</u>	<u>309</u>
Associate	-	-	-	-	-	-	1,459	1,234	<u>1,459</u>	<u>1,234</u>
Profit/(loss) before taxation									<u>576</u>	<u>(12,571)</u>
Income tax									<u>-</u>	<u>(2,282)</u>
Profit/(loss) for the period									<u><u>576</u></u>	<u><u>(14,853)</u></u>

(b) Geographical segments

The following table presents turnover information for the Group's geographical segments.

	Hong Kong		PRC		Total	
	Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October	
	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)			(Restated)	
Revenue	<u>186,852</u>	<u>105,407</u>	<u>21,452</u>	<u>23,485</u>	<u>208,304</u>	<u>128,892</u>

3. OPERATING LOSS

Operating loss is arrived at after charging/(crediting):

	Unaudited	
	Six months ended	
	31 October	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Cost of inventories consumed	43,449	39,233
Cost on securities investments	100,659	25,073
Depreciation	258	4,873
Staff costs	26,948	29,662
Bank interest income	<u>(3,982)</u>	<u>(1,488)</u>

4. INCOME TAX

	Unaudited	
	Six months ended	
	31 October	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profits tax:		
Current period provision – Hong Kong	–	–
Current period provision – outside Hong Kong	<u>–</u>	<u>2,282</u>
	<u>–</u>	<u>2,282</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the periods of six months ended respectively 31 October 2007 and 31 October 2006. Taxes on profits assessable outside Hong Kong during the periods ended 31 October 2006 was 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.

5. DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2007 (2006: nil).

6. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share is based on the unaudited condensed consolidated profit for the period ended 31 October 2007 of HK\$576,000 (six months ended 31 October 2006: loss HK\$14,853,000) and on the weighted average number of 5,736,195,275 (six months ended 31 October 2006: 5,587,385,900) shares in issue during the current period.

No diluted profit/(loss) per share figures have been shown as there were no potential ordinary shares outstanding for both of the periods.

7. ACCOUNTS RECEIVABLE

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

	Unaudited 31 October 2007 <i>HK\$'000</i>	Audited 30 April 2007 <i>HK\$'000</i>
Within 30 days	7,643	1,465
31-90 days	103	673
91-180 days	15	477
Over 180 days	–	576
	<u>7,761</u>	<u>3,191</u>

8. 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 moneylending loan generally has a term of less than three months.

9. PROMISSORY NOTE RECEIVABLE

A promissory note receivable of US\$5,000,000 was issued by Red Star Holdings Enterprises Limited ("Red Star"), a shareholder of Guo Xin China Pay Systems Limited ("Guo Xin"), in favour of China e-ticket Investment Holdings Limited ("CET") as the consideration for the shares of CET issued to SCIO Investment Limited and Guo Xin. The promissory note was transferred to and assumed by Smart View Technology Limited ("Smart View") by a novated promissory note dated 13 December 2006. Smart View agreed to settle the US\$5,000,000 novated promissory note by cash in 8 equal installments of US\$625,000 each in each of the 8 consecutive calendar months starting from August 2007 and finishing before the end of the financial year ending on 30 April 2008. The novated promissory note bears interest to be charged and accrued on a daily basis at the Hong Kong dollar prime rate announced by The Hongkong and Shanghai Banking Corporation Limited from time to time.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 31 October 2007 <i>HK\$'000</i>	Audited 30 April 2007 <i>HK\$'000</i>
Listed equity investments at fair value:		
– in Hong Kong	132,614	9,825
– outside Hong Kong	<u>1,502</u>	<u>1,530</u>
	<u>134,116</u>	<u>11,355</u>

The above equity investments are classified as held for trading. The fair values of these equity investments are usually based on quoted market prices.

11. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Unaudited 31 October 2007 <i>HK\$'000</i>	Audited 30 April 2007 <i>HK\$'000</i>
Within 30 days	6,799	5,549
31-90 days	3,930	5,458
91-180 days	80	117
181-360 days	–	34
Over 360 days	<u>–</u>	<u>13</u>
	<u>10,809</u>	<u>11,171</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group's total revenue for the six months ended 31 October 2007 increased by 61.6% to HK\$208.3 million from the restated balance of HK\$128.9 million recorded in the last corresponding period. The Group recorded a turn around from a loss of HK\$14,853,000 for the six months ended 31 October 2006 to a profit of HK\$576,000 for the six months ended 31 October 2007. The result per share changed from loss per share of HK cent 0.27 for the six months ended 31 October 2006 to a profit of HK cent 0.01 per share for the six months ended 31 October 2007.

Business Review

Consumer Finance Business

In view of strong consumption power as a result of the booming economy in Hong Kong in recent years, the Group started to explore the opportunity of the consumer finance market in Hong Kong. The Group obtained its money lender's licence under the Money Lenders Ordinance (Chapter 163 of Laws of Hong Kong) in early October 2007. The Group started to carry on business as a money lender in Hong Kong and the outstanding moneylending loan receivables at 31 October 2007 in Hong Kong amounted to approximately HK\$20 million and the effective rate of interest charge was within the statutory limit of 60 per cent per annum.

For the moneylending business in PRC, the Group switched its focus to SME business owners market as their demand for short-term large balance working capital is higher. The Group plans to apply to establish a new moneylending branch in Beijing in 2008.

Smart-card Financial Services Business

The on-site testing of our unique system, which utilizes advanced RFID technology and will be customized according to the requirements of different sites, was successfully carried out at our first pilot site, Beijing Shijingshan Sculpture Park, in January 2008. The Group will expedite the process of promoting this system to major tourist sites and payment systems in the PRC. During the process of developing this unique system, the Group has identified opportunities, based on the system we have developed, to expand our RFID payment card system to "e-wallet" with certain modifications. We are now exploring more investment opportunities in this direction.

Securities Investment Business

The Group invests in listed securities in Hong Kong. The profit on securities investments for the six months period ended 31 October 2007 was HK\$7.7 million. (2006: HK\$637,000).

Restaurant Business

The turnover of the Group's restaurants, which amounted to approximately HK\$99.7 million in the six months ended 31 Oct 2007, decreased slightly as compared with HK\$102.3 million in the six months ended 31 Oct 2006. The rise in materials costs and labour costs resulted in a segmental loss of HK\$9.0 million in the six months ended 31 Oct 2007 compared with HK\$8.4 million in the six months ended 31 Oct 2006. The Group would continue to implement cost controls to minimize rising costs.

Prospect

The economy of PRC and Hong Kong expanded rapidly recently. The Group will continue to pursue sustainable leading-edge initiatives in financial services, consumer finance and highly-regulated consumption sectors in PRC and Hong Kong while optimizing sustained growth and maximizing shareholder value through better utilization of the resources of the Group.

Financial Review

Liquidity and Financial Resources

As at 31 October 2007, the Group had total assets of HK\$527.1 million (30 April 2007: HK\$228.8 million) and total equity attributable to equity shareholders of HK\$433.1 million (30 April 2007: HK\$137.1 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 9.3 (30 April 2007: 4.2). The Group's working capital, represented by total current assets against total current liabilities, as at 31 October 2007 was HK\$438.0 million (30 April 2007: HK\$146.8 million).

As at 31 October 2007, the Group's cash and cash equivalents amounted to HK\$265.1 million (30 April 2007: HK\$88.9 million).

As at 31 October 2007, the Group had a bank loan of HK\$5.1 million (30 April 2007: HK\$5.2 million) which was a mortgage loan and was fully repaid after 31 October 2007. The gearing ratio, which was calculated based on the bank loans over shareholders' equity, of the Group at 31 October 2007 was 1.2% (30 April 2007: 3.8%).

Since the majority of the Group's sources of income and bank balances are denominated in Hong Kong dollars and Renminbi, the impact of the fluctuation in exchange rate is immaterial to the Group's financial position.

Charges on Group's assets

The Group's investment property was pledged to the Group's banker to secure the mortgage loan granted to the Group.

Contingent Liabilities

As at 31 October 2007, the Group has contingent liabilities in respect of (i) a claim of approximately HK\$1,569,000 for personal injuries, loss and damages suffered during the work made by a former employee (30 April 2007: HK\$1,569,000); (ii) possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$1.2 million (30 April 2007: HK\$1.2 million); and (iii) corporate guarantees of HK\$370,000 (30 April 2007: HK\$370,000) which were provided by the Company to landlords in respect of the operating lease payments of its subsidiaries.

Commitments

As at 31 October 2007, the Group had outstanding commitments of (i) US\$800,000 in respect of the paid-up capital of a wholly foreign owned enterprise; and (ii) HK\$7.9 million being the consideration of purchase of two real properties (30 April 2007: nil).

Employment and Remuneration Policy

As at 31 October 2007, the Group had 464 (30 April 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 31 October 2007, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

During the current period, the Audit Committee of the Company comprised of three Independent Non-executive Directors, namely, Mr Fung Ka Keung David, Dr Lee G. Lam and Ms Wong Man Ngar Edna. The audit committee has reviewed with the management the accounting principle and practice adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 31 October 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the six months ended 31 October 2007 except for the deviations from the code provisions as described below:

- (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 its articles of association, 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 CG 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' DEALING IN SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This result announcement is published on the website of the Company (www.thevongroup.com) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 31 October 2007 containing all information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and available on the same websites in due course.

APPRECIATION

I would like to take this opportunity to thank my fellow directors for their invaluable advice and guidance, and to each and every one of our staff for their hard work and loyalty to the Group.

By order of the Board
Vong Tat Ieong David
Executive Director

Hong Kong, 25 January 2008

* *for identification purpose only*

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