



Vongroup Limited

黃河實業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 318)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2008

The board of directors (the “Board” or “Directors”) of Vongroup Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2008, together with the comparative figures for the corresponding period of the previous year, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(unaudited) Six months ended 31 October	
	Note	2008 HK\$'000	2007 HK\$'000 (restated)
Turnover	3	219,044	208,496
Other revenue		3,518	5,790
Cost of inventories consumed		(28,676)	(43,371)
Cost of trading securities		(165,045)	(100,659)
Cost of forfeited collaterals sold		(196)	(78)
Staff costs		(22,635)	(26,948)
Operating lease rentals		(11,070)	(12,738)
Depreciation and amortisation		(1,954)	(258)
Other expenses		(26,687)	(30,339)
Change in fair value of investment properties		(6,800)	–
Loss from operations	4	(40,501)	(105)
Finance costs	5	(102)	(139)
Share of results of:			
Jointly-controlled entity		(226)	(639)
Associate		(123)	1,459
(Loss)/profit before taxation		(40,952)	576
Income tax	6	(27)	–
(Loss)/profit for the period		<u>(40,979)</u>	<u>576</u>
Attributable to:			
Equity holders of the Company		(38,846)	161
Minority interests		(2,133)	415
		<u>(40,979)</u>	<u>576</u>
Dividend	7	<u>Nil</u>	<u>Nil</u>
(Loss)/earnings per share	8		
Basic		<u>HK cents (0.7)</u>	<u>HK cents 0.01</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		31 October 2008	30 April 2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	9	11,853	11,188
Lease premium for land		5,656	5,711
Investment properties	10	19,000	25,800
Goodwill		8,988	8,988
Investment in a jointly-controlled entity		1,756	1,982
Rental and utility deposits		5,195	6,818
Deposits paid in respect of acquisition of property, plant and equipment and investment properties		17,206	9,126
Available-for-sale investment		135	135
		<u>69,789</u>	<u>69,748</u>
Current assets			
Lease premium for land		143	141
Inventories		10,979	11,741
Forfeited collaterals held for sale		105	128
Accounts receivable	11	1,209	443
Moneylending loan receivables	12	2,134	5,175
Promissory note receivable		–	7,798
Other receivables, deposits and prepayments	13	12,926	7,166
Amount due from a jointly-controlled entity		178	178
Financial assets at fair value through profit or loss	14	4,975	42,812
Pledged time deposit		693	1,036
Cash and cash equivalents		326,706	327,214
		<u>360,048</u>	<u>403,832</u>

		31 October 2008	30 April 2008
	<i>Note</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
Current liabilities			
Accounts payable	15	10,547	10,265
Accruals and deposits received		11,731	15,461
Tax payables		20,400	20,149
Finance lease payables – current portion		430	162
Mortgage loans – current portion		841	828
Amount due to a director		858	91
		<u>44,807</u>	<u>46,956</u>
Net current assets		<u>315,241</u>	<u>356,876</u>
Total assets less current liabilities		385,030	426,624
Non-current liabilities			
Other payables		895	1,241
Finance lease payables – long-term portion		499	212
Mortgage loans – long-term portion		3,765	4,189
Deferred tax liabilities		591	591
		<u>5,750</u>	<u>6,233</u>
NET ASSETS		<u><u>379,280</u></u>	<u><u>420,391</u></u>
Capital and reserves			
Share capital		5,864	5,864
Reserves		<u>359,835</u>	<u>398,813</u>
		365,699	404,677
Minority interests		<u>13,581</u>	<u>15,714</u>
TOTAL EQUITY		<u><u>379,280</u></u>	<u><u>420,391</u></u>

Notes:

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 on the historical cost basis except for investment properties and financial assets at fair value through profit or loss, which are measured at fair values.

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 2008.

In the current period, the Group has applied, for the first time, new amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 May 2008. The adoption of these new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The adoption of Hong Kong Financial Reporting Standard 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

3. 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
Smart-card financial services:	Smart-card financial services business
Properties investment:	Letting of properties
Restaurant operation:	Catering services through the operation of a chain of Chinese restaurants

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

	unaudited											
	Consumer finance		Securities investment		Smart-card financial services		Properties investment		Restaurant operation		Total	
	Six months ended		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		31 October	
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 Revenue:												
Turnover	1,058	235	140,761	108,382	-	-	204	192	77,021	99,687	219,044	208,496
Other revenue	319	598	2,880	3,357	24	1,429	-	-	218	282	3,441	5,666
Total	<u>1,377</u>	<u>833</u>	<u>143,641</u>	<u>111,739</u>	<u>24</u>	<u>1,429</u>	<u>204</u>	<u>192</u>	<u>77,239</u>	<u>99,969</u>	<u>222,485</u>	<u>214,162</u>
Segment results	<u>340</u>	<u>37</u>	<u>(21,403)</u>	<u>11,080</u>	<u>(2,486)</u>	<u>960</u>	<u>(6,636)</u>	<u>166</u>	<u>(5,332)</u>	<u>(8,724)</u>	<u>(35,517)</u>	<u>3,519</u>
Unallocated other revenue											77	124
Unallocated expenses											<u>(5,061)</u>	<u>(3,748)</u>
Loss from operations											<u>(40,501)</u>	<u>(105)</u>
Finance costs											<u>(102)</u>	<u>(139)</u>
Share of results of:												
Jointly-controlled entity	-	-	-	-	-	-	-	-	(226)	(639)	<u>(226)</u>	<u>(639)</u>
Associate	-	-	-	-	-	-	-	-	(123)	1,459	<u>(123)</u>	<u>1,459</u>
(Loss)/profit before taxation											<u>(40,952)</u>	<u>576</u>
Income tax											<u>(27)</u>	<u>-</u>
(Loss)/profit for the period											<u>(40,979)</u>	<u>576</u>

Geographical segments

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

	unaudited					
	Hong Kong		PRC		Total	
	Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October	
2008	2007	2008	2007	2008	2007	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(restated)		(restated)		(restated)	
Turnover	<u>196,894</u>	<u>187,044</u>	<u>22,150</u>	<u>21,452</u>	<u>219,044</u>	<u>208,496</u>

4. LOSS FROM OPERATIONS

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

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories consumed	28,676	43,371
Cost of trading securities	165,045	100,659
Staff costs (including directors' remuneration)	22,635	26,948
Bank interest income	(2,491)	(3,982)
Dividend income from listed securities	(848)	(105)
	<u>28,676</u>	<u>43,371</u>

5. FINANCE COSTS

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on banks and mortgage loans	72	137
Interest on finance leases	28	–
Other interest paid	2	2
	<u>102</u>	<u>139</u>

6. INCOME TAX

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profits tax:		
Current period provision – Hong Kong	–	–
Current period provision – Outside Hong Kong	27	–
	<u>27</u>	<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 during the periods of six months ended respectively 31 October 2008 and 2007. Taxes on profits assessable outside Hong Kong during the period ended 31 October 2008 was calculated at the rate of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2008 (2007: nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the unaudited condensed consolidated loss for the period ended 31 October 2008 of HK\$40,979,000 (six months ended 31 October 2007: profit HK\$576,000) and on the weighted average number of 5,863,960,900 (six months ended 31 October 2007: 5,736,195,275) shares in issue during the current period.

No diluted (loss)/earnings per share are presented as there were no dilutive potential ordinary shares in existence in both periods.

9. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the period are summarised as follows:

	<i>HK\$'000</i> (unaudited)
Carrying values as at 1 May 2008 (audited)	11,188
Additions	2,471
Depreciation	(1,882)
Exchange adjustments	76
	<hr/>
Carrying values as at 31 October 2008	<u>11,853</u>

10. INVESTMENT PROPERTIES

An unrealised loss on decrease in fair value of investment properties of HK\$6.8 million has been recognised in the condensed consolidated income statement. The fair value of the Group's investment properties as at 31 October 2008 has been arrived at on the basis of a valuation carried out by an independent valuer. The valuation of the Group's investment properties has been arrived at by using direct comparison method where comparison based on prices information on comparable property is made.

11. ACCOUNTS RECEIVABLE

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

	31 October 2008 <i>HK\$'000</i> (unaudited)	30 April 2008 <i>HK\$'000</i> (audited)
Within 30 days	672	46
31-90 days	256	256
91-180 days	102	41
Over 180 days	179	100
	<hr/>	<hr/>
	<u>1,209</u>	<u>443</u>

The aging analysis of accounts receivable that are not considered to be impaired is as follows:

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Neither past due nor impaired	508	302
Within 30 days	–	41
31-90 days	629	99
91-180 days	58	1
Over 180 days	14	–
	<u>701</u>	<u>141</u>
	<u>1,209</u>	<u>443</u>

12. MONEYLENDING LOAN RECEIVABLES

The Group offers loans to borrowers commonly known as moneylending loans. A typical moneylending loan generally has a term of 30 to 180 days.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Prepayments	3,288	3,105
Rental and other deposits	7,947	2,078
Credit card receivables	279	488
Staff advances	405	382
Others	<u>1,007</u>	<u>1,113</u>
	<u>12,926</u>	<u>7,166</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
At fair value:		
Listed equity investments in Hong Kong	4,975	41,413
Listed equity investments outside Hong Kong	<u>–</u>	<u>1,399</u>
	<u>4,975</u>	<u>42,812</u>

15. ACCOUNTS PAYABLE

The aging analysis of the Group's accounts payable is as follows:

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
0-30 days	4,829	4,271
31-90 days	5,081	5,248
91-180 days	331	354
181-360 days	<u>306</u>	<u>392</u>
	<u><u>10,547</u></u>	<u><u>10,265</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group's total turnover for the six months ended 31 October 2008 increased by 5.0% to HK\$219.0 million from HK\$208.5 million recorded in the last corresponding period. The Group recorded a change from a profit of HK\$0.6 million for the six months ended 31 October 2007 to a loss of HK\$41.0 million for the six months ended 31 October 2008. The results per share changed from earnings per share of HK cents 0.01 per share for the six months ended 31 October 2007 to a loss of HK cents 0.7 per share for the six months ended 31 October 2008.

Business Review

Consumer Finance Business

For the period under review, the Group's moneylending business has been focused on SME business owners due to their demand for short-term working capital.

Smart-card Financial Services Business

During the period under review, our "e-ticket" system at Beijing Shijingshan Sculpture Park has been installed and is undergoing technical improvements.

We continue to develop our RFID payment card system as an "e-wallet" and to explore more potential investment opportunities in this direction. In this current period, this business incurred a segment loss of HK\$2.5 million.

Securities Investment Business

The global turmoil in the stock markets has had an impact upon our securities investments, and the Group recorded a realised and unrealised loss of approximately HK\$24.3 million (31 October 2007: profit of approximately HK\$7.7 million) for its investments in trading securities during the six months ended 31 October 2008.

Properties Investment Business

The market downturn had a negative impact on the Asia Pacific region's property sector in 2008. Against the backdrop of a weakening U.S. economy and the global credit crunch, the pace of economic growth in Hong Kong was inevitably affected due to the effect of a less buoyant financial market.

During the period under review, the turnover of the Group's properties investment segment was HK\$204,000 (31 October 2007: HK\$192,000). The segment recorded a loss of HK\$6,636,000 due to the unrealised fair value losses of the investment properties valued as at 31 October 2008. Excluding the unrealised fair value losses in 2008, the recurring profit of the properties investment segment would have been HK\$164,000 (31 October 2007: HK\$166,000).

Restaurant Business

The turnover of the Group's restaurants, which amounted to approximately HK\$77.0 million in the six months ended 31 October 2008, decreased as compared with HK\$99.7 million in the six months ended 31 October 2007. The reduction in turnover resulted from a decline in consumer demand and the difficult business environment under the recent adverse conditions and the increasing instability of the global financial markets.

Prospect

2008 has been a very challenging year. The fallout from the U.S. sub-prime mortgage crisis and the continuing weakness has started to be felt around the global economy. We expect that the outlook will continue to be volatile in 2009.

Despite difficulties in the recent financial tsunami and volatility in the global stock markets, the Group will pursue opportunities to develop its business in consumer finance, smart-card financial services, securities investment, properties investment and restaurants, as well as seek potential value-driven investment opportunities.

Financial Review

Liquidity and Financial Resources

As at 31 October 2008, the Group had total assets of HK\$429.8 million (30 April 2008: HK\$473.6 million) and total equity attributable to shareholders of HK\$365.7 million (30 April 2008: HK\$404.7 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 8.0 (30 April 2008: 8.6). The Group's working capital, represented by total current assets against total current liabilities, as at 31 October 2008 was HK\$315.2 million (30 April 2008: HK\$356.9 million).

As at 31 October 2008, the Group's cash and cash equivalents amounted to HK\$326.7 million (30 April 2008: HK\$327.2 million).

As at 31 October 2008, the Group had mortgage loans of HK\$4.6 million (30 April 2008: HK\$5.0 million). The gearing ratio, which was calculated based on the total bank borrowings over total equity, of the Group as at 31 October 2008 was 1.2% (30 April 2008: 1.2%).

Since the majority of the Group's resources 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

Certain buildings and lease premium for land were pledged to the Group's banker to secure the mortgage loans granted to the Group.

Contingent Liabilities

As at 31 October 2008, the Group had 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 2008: HK\$1,569,000); (ii) possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$1,205,000 (30 April 2008: HK\$1,205,000); and (iii) corporate guarantee of HK\$370,000 (30 April 2008: HK\$370,000) which were provided by the Company to landlords in respect of the operating lease payments of its subsidiaries.

Capital Commitments

As at 31 October 2008, the Group had outstanding capital commitments of HK\$25.0 million in respect of the balance of the consideration for purchase of investment properties (30 April 2008: HK\$27.5 million).

Employment and Remuneration Policy

As at 31 October 2008, the Group had 455 (30 April 2008: 452) 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 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 31 October 2008, 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 three Independent Non-executive Directors, namely, Mr. Fung Ka Keung David, Dr. Lam Lee G. and Ms. 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 for the six months ended 31 October 2008.

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 Listing Rules throughout the six months ended 31 October 2008 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. 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.

DIRECTORS’ SECURITIES TRANSACTIONS

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 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 2008.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2008 interim report will be despatched to the shareholders and published on both of the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to thank my fellow directors for their invaluable advice and guidance, and to all 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, 16 January 2009

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, Lam Lee G. and Wong Man Ngar, Edna.

* *For identification purpose only*