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# 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 2009

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 2009 together with comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

		For the year ended 30 April	
	Note	2009 HK\$'000	2008 HK\$'000 (restated)
<b>Turnover</b>	4	<b>472,939</b>	<b>464,360</b>
<b>Revenue</b>	4	<b>156,178</b>	198,195
Other revenue	4	4,264	9,706
Other net income	4	473	8,452
Cost of inventories consumed		(52,802)	(74,837)
Cost of forfeited collaterals sold		(376)	(207)
Staff costs		(49,832)	(59,485)
Operating lease rentals		(21,374)	(23,665)
Depreciation and amortisation		(2,693)	(1,539)
Other expenses		(80,710)	(90,951)
Impairment loss on property, plant and equipment		(340)	–
Impairment loss on lease premium for land		(303)	–
Change in fair value of investment properties		(2,448)	5,919
<b>Loss from operations</b>	5	<b>(49,963)</b>	(28,412)
Finance costs	6	(182)	(305)
Share of profits/(losses) of:			
Jointly-controlled entity		348	429
Associate		(182)	987
<b>Loss before taxation</b>		<b>(49,979)</b>	(27,301)
Income tax	7	(304)	(392)
<b>Loss for the year</b>		<b>(50,283)</b>	<b>(27,693)</b>
<b>Attributable to:</b>			
Equity holders of the Company		(45,229)	(27,214)
Minority interests		(5,054)	(479)
		<b>(50,283)</b>	<b>(27,693)</b>
<b>Dividend</b>	8	<b>–</b>	<b>–</b>
<b>Loss per share</b>	9		
– Basic and diluted		<b>(HK0.77 cents)</b>	<b>(HK0.47 cents)</b>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>12,120</b>	11,188
Lease premium for land		<b>5,296</b>	5,711
Investment properties		<b>45,500</b>	25,800
Goodwill		<b>8,988</b>	8,988
Investment in a jointly-controlled entity		<b>2,080</b>	1,982
Rental and utility deposits		<b>5,201</b>	6,818
Deposits paid in respect of acquisition of property, plant and equipment and investment properties		<b>5,264</b>	9,126
Available-for-sale investments		<b>635</b>	135
		<b>85,084</b>	69,748
<b>Current assets</b>			
Lease premium for land		<b>135</b>	141
Inventories		<b>11,121</b>	11,741
Forfeited collaterals held for sale		<b>164</b>	128
Accounts receivables	<i>10</i>	<b>518</b>	443
Moneylending loan receivables	<i>11</i>	<b>1,824</b>	5,175
Promissory note receivable		<b>–</b>	7,798
Deposits, prepayments and other receivables		<b>10,847</b>	7,166
Amount due from a jointly-controlled entity		<b>178</b>	178
Financial assets at fair value through profit or loss		<b>20,349</b>	42,812
Cash and cash equivalents		<b>291,525</b>	328,250
		<b>336,661</b>	403,832
<b>Current liabilities</b>			
Accounts payables	<i>12</i>	<b>7,308</b>	10,265
Accruals and deposits received		<b>14,374</b>	15,461
Tax payables		<b>19,561</b>	20,149
Finance lease payable – current portion		<b>270</b>	162
Mortgage loans – current portion		<b>858</b>	828
Amount due to a director		<b>830</b>	91
		<b>43,201</b>	46,956
<b>Net current assets</b>		<b>293,460</b>	356,876

	<i>Note</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Total assets less current liabilities</b>		<u><b>378,544</b></u>	<u>426,624</u>
<b>Non-current liabilities</b>			
Other payables		<b>760</b>	1,241
Finance lease payable – long-term portion		<b>234</b>	212
Mortgage loans – long-term portion		<b>3,329</b>	4,189
Deferred tax liabilities		<u><b>591</b></u>	<u>591</u>
		<u><b>4,914</b></u>	<u>6,233</u>
<b>NET ASSETS</b>		<u><b>373,630</b></u>	<u>420,391</u>
<b>Capital and reserves</b>			
Share capital		<b>5,864</b>	5,864
Reserves		<u><b>357,106</b></u>	<u>398,813</u>
		<b>362,970</b>	404,677
Minority interests		<u><b>10,660</b></u>	<u>15,714</u>
<b>TOTAL EQUITY</b>		<u><b>373,630</b></u>	<u>420,391</u>

*Notes:*

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

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

### (b) Basis of preparation

The consolidated financial statements for the year ended 30 April 2009 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong Dollars (“HK\$”) rounded to the nearest thousand except for per share data. Hong Kong Dollar is the Company’s functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost convention, except for the available-for-sale financial assets, investment properties and financial assets at fair value through profit or loss that have been measured at fair value.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has, where applicable, applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment is required.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>8</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard <sup>3</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>7</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) – Int 18	Transfers of Asset from Customers <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>6</sup> Effective for transfers on or after 1 July 2009

<sup>7</sup> Effective for annual periods ending on or after 30 June 2009

<sup>8</sup> Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010 as appropriate

The application of HKFRS 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.

The Company’s directors anticipate that the application of the other new and revised standards, amendments or interpretations 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
Properties investment:	Letting of properties
Smart-card financial services business:	Smart-card financial services business
Restaurant operation:	Catering services through the operation of a chain of Chinese restaurants

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Consumer finance		Securities investment		Properties investment		Smart-card financial services business		Restaurant operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 (restated)	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000 (restated)	2008 HK\$'000 (restated)
Segment revenue:												
Revenue	1,639	1,252	-	-	444	396	-	-	154,095	196,547	156,178	198,195
Other revenue and net income	807	818	1,269	4,716	-	-	120	2,372	193	1,953	2,389	9,859
Total	<u>2,446</u>	<u>2,070</u>	<u>1,269</u>	<u>4,716</u>	<u>444</u>	<u>396</u>	<u>120</u>	<u>2,372</u>	<u>154,288</u>	<u>198,500</u>	<u>158,567</u>	<u>208,054</u>
Segment results	<u>233</u>	<u>379</u>	<u>(16,931)</u>	<u>(4,375)</u>	<u>(2,165)</u>	<u>6,139</u>	<u>(11,114)</u>	<u>(12,639)</u>	<u>(7,812)</u>	<u>(5,211)</u>	<u>(37,789)</u>	<u>(15,707)</u>
Unallocated other revenue											2,348	8,299
Unallocated expenses											(14,522)	(21,004)
Loss from operations											(49,963)	(28,412)
Finance costs											(182)	(305)
Share of profits/ (losses) of:												
Jointly-controlled entity	-	-	-	-	-	-	-	-	348	429	348	429
Associate	-	-	-	-	-	-	-	-	(182)	987	(182)	987
Loss before taxation											(49,979)	(27,301)
Income tax											(304)	(392)
Loss for the year											<u>(50,283)</u>	<u>(27,693)</u>

	Consumer finance		Securities investment		Properties investment		Smart-card financial services business		Restaurant operation		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)
Segment assets	24,401	22,010	40,147	47,188	49,555	33,265	10,688	24,263	36,375	44,128	161,166	170,854
Investment in a jointly-controlled entity	-	-	-	-	-	-	-	-	2,080	1,982	2,080	1,982
Unallocated assets											258,499	300,744
Total assets											421,745	473,580
Segment liabilities	760	727	-	-	120	64	159	75	40,462	45,795	41,501	46,661
Unallocated liabilities											6,614	6,528
Total liabilities											48,115	53,189
Other segment information:												
Capital expenditure	30	21	-	-	22,157	11,092	68	611	1,879	12,380	24,134	24,104
Unallocated amounts											2,138	1,240
											26,272	25,344
Depreciation and amortisation:	63	161	-	-	3	-	198	5	1,801	1,166	2,065	1,332
Unallocated amounts											628	207
											2,693	1,539
Reversal of impairment loss on amount due from an associate	-	-	-	-	-	-	-	-	(1,543)	(314)	(1,543)	(314)
Impairment loss on property, plant and equipment and lease premium for land	-	-	-	-	-	-	-	-	456	-	456	-
Unallocated amount											187	-
											643	-
Loss/(gain) on disposal of property, plant and equipment	-	-	-	-	-	-	-	-	9	(1,388)	9	(1,388)
Unallocated amount											-	8
											9	(1,380)
Change in fair value of investment properties	-	-	-	-	(2,448)	5,919	-	-	-	-	(2,448)	5,919

## Geographical segments

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

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

	Hong Kong		Mainland China		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
Segment revenue:						
Revenue	<u>113,439</u>	<u>156,137</u>	<u>42,739</u>	<u>42,058</u>	<u>156,178</u>	<u>198,195</u>
Other segment information:						
Segment assets	380,841	425,515	40,904	48,065	421,745	473,580
Capital expenditure	<u>24,624</u>	<u>21,613</u>	<u>1,648</u>	<u>3,731</u>	<u>26,272</u>	<u>25,344</u>

## 4. TURNOVER, REVENUE, OTHER REVENUE AND OTHER NET INCOME

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

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

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

	Group	
	2009	2008
	HK\$'000	HK\$'000 (restated)
<b>Revenue</b>		
Income from restaurant operations	154,095	196,547
Moneylending loan service charge income	1,195	1,040
Sales of forfeited collaterals	444	212
Gross rental income from an investment property	444	396
	<u>156,178</u>	<u>198,195</u>
<b>Other revenue</b>		
Bank interest income	3,130	6,887
Loan interest income	—	2,299
Total interest income on financial assets not at fair value through profit or loss	3,130	9,186
Dividend income	865	110
Sundry income	269	410
	<u>4,264</u>	<u>9,706</u>

**Other net income**

Exchange gain, net	69	2,466
Net gain on disposal of property, plant and equipment	–	1,380
Net realised gain on disposal of trading securities	–	4,606
Net unrealised gain on disposal of trading securities	<u>404</u>	<u>–</u>
	<u><b>473</b></u>	<u><b>8,452</b></u>

**5. LOSS FROM OPERATIONS**

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (restated)
Cost of inventories consumed	52,802	74,837
Cost of forfeited collaterals sold	376	207
Staff costs (including directors' emoluments):		
Wages and salaries	48,412	57,677
Retirement benefits scheme contributions	1,420	1,808
	49,832	59,485
Reversal of impairment loss on amount due from an associate	(1,543)	(314)
Auditors' remuneration	635	758
Depreciation and amortisation	2,693	1,539
Research and development costs*	7,020	17,600
Impairment loss on accounts receivables	15	–
Impairment loss on property, plant and equipment	340	–
Impairment loss on lease premium for land	303	–
Operating lease charges in respect of land and buildings	21,374	23,665
Loss on disposal of subsidiaries	3,648	–
Loss/(gain) on disposal of property, plant and equipment	9	(1,380)
Gross rental income from an investment property less direct outgoings of HK\$35,000 (2008: HK\$38,000)	(409)	(358)
Dividend income	(865)	(110)
Net realised loss/(gain) on financial assets at fair value through profit or loss	18,200	(4,606)
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	<u>(404)</u>	<u>9,091</u>

\* This item is included in other expenses.

**6. FINANCE COSTS**

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on banks and mortgage loans	140	211
Interest on finance lease	40	14
Other interests paid	<u>2</u>	<u>80</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u><b>182</b></u>	<u><b>305</b></u>



## 7. INCOME TAX

The taxation in the consolidated income statement represents:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Provision for the year Outside Hong Kong	<u>304</u>	<u>392</u>
Income tax for the year	<u><u>304</u></u>	<u><u>392</u></u>

Income tax for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (restated)
Loss before taxation	<u><u>(49,979)</u></u>	<u><u>(27,301)</u></u>
Calculated at transaction rate of 16.5% (2008: 17.5%)	(8,247)	(4,778)
Effect of different taxation rate in the PRC	1,408	(396)
Income not subject to taxation	(4,391)	(3,313)
Expenses not deductible for taxation purposes	3,066	2,877
Tax losses not yet recognised	8,269	6,870
Tax effect of unrecognised temporary differences	(60)	(488)
Under provision for previous year	259	–
Others	<u>–</u>	<u>(380)</u>
Tax charge	<u><u>304</u></u>	<u><u>392</u></u>

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

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2008: 25%).

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 33% to 25% for a subsidiary from 1 January 2008. In 2008, the deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled (adjusted as appropriate).

## 8. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 30 April 2009 (2008: Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the net loss attributable to equity holders of the Company of HK\$45,229,000 (2008: HK\$27,214,000) and the weighted average number of 5,863,960,900 (2008: 5,809,552,703) ordinary shares in issue during the year.

Diluted loss per share is equal to basic loss per share as there were no dilutive potential ordinary shares in existence in both years presented.

## 10. ACCOUNTS RECEIVABLES

	<b>Group</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivables	603	513
Less: Allowance for doubtful debts	<u>(85)</u>	<u>(70)</u>
	<b><u>518</u></b>	<b><u>443</u></b>

The general credit terms granted by the Group to its customers range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aging analysis of accounts receivables net of allowance for doubtful debts as at the balance sheet date is as follows:

	<b>Group</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	245	46
31 – 90 days	223	256
91 – 180 days	32	41
Over 180 days	<u>18</u>	<u>100</u>
	<b><u>518</u></b>	<b><u>443</u></b>

The aging analysis of account receivables that are not considered to be impaired is as follows:

	<b>Group</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	468	302
1 to 3 months past due	32	41
3 to 6 months past due	14	99
Over 6 months, but less than 1 year past due	4	1
Over 1 year past due	<u>–</u>	<u>–</u>
	<b><u>50</u></b>	<b><u>141</u></b>
	<b><u>518</u></b>	<b><u>443</u></b>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

#### Movement in the allowance for doubtful debts

	<b>Group</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	70	70
Impairment loss recognised on receivables	<u>15</u>	<u>–</u>
Balance at the end of the year	<u><u>85</u></u>	<u><u>70</u></u>

Included in the allowance for doubtful debts made for the year are individually impaired trade receivables with a balance of HK\$15,000 (2008: Nil) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

#### Aging of impaired trade receivables

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
91-180 days	–	–
Over 180 days	<u>15</u>	<u>–</u>
Total	<u><u>15</u></u>	<u><u>–</u></u>

### 11. MONEYLENDING LOAN RECEIVABLES

	<b>Group</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance brought forward	5,175	970
Loan advanced	11,880	30,573
Repayment during the year	(15,319)	(26,482)
Exchange adjustment	<u>88</u>	<u>114</u>
Balance carried forward	<u><u>1,824</u></u>	<u><u>5,175</u></u>

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

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

## 12. ACCOUNTS PAYABLES

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

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,487	4,271
31 – 90 days	3,453	5,248
91 – 180 days	917	354
181 – 360 days	18	392
Over 360 days	433	–
	<u>7,308</u>	<u>10,265</u>

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

## 13. SUBSEQUENT EVENTS

- (a) On 3 July 2009, Vongroup Financial Holdings Corporation (“VFHC”), entered into a Share Purchase and Subscription Agreement (“Agreement”) with Tian Da Energy Holdings Limited (“Tecroad HoldCo”) and the sole shareholder of Tecroad HoldCo, Mr. Ji Kewei (“Tecroad Shareholder”), pursuant to which:
- (i) Tecroad Shareholder conditionally agreed to sell and VFHC conditionally agreed to acquire 11 shares legally and beneficially owned by Tecroad Shareholder (“Sale Shares”), and Tecroad HoldCo conditionally agreed to issue and allot and VFHC conditionally agreed to subscribe 12 shares of Tecroad HoldCo (“Subscription Shares”), for a total consideration of HK\$120 million, partly in cash and partly in issuance of new Shares, subject to and upon the terms and conditions of the Agreement. Upon completion, VFHC's shareholding in Tecroad HoldCo as a result of the purchase of the Sale Shares and the subscription for the Subscription Shares will be approximately 20.54% on an enlarged share capital basis; and
  - (ii) Under the Agreement, a call option is also granted to VFHC (“Call Option”) by Tecroad Shareholder and Tecroad HoldCo to acquire up to an aggregate of 60% of the issued share capital of Tecroad HoldCo as may be enlarged by the full exercise of such call option (the “Option Shares”) and any issue of new shares of Tecroad HoldCo from time to time, which is exercisable in any number of times commencing from the date of completion and ending on a date falling nine months thereafter or three months after the date of publication of the 2009 audited consolidated financial results for Tecroad HoldCo, whichever is later. The exercise price for the Option Shares, if fully exercised, shall be equal to HK\$230,608,696.

Upon completion, VFHC, Tecroad Shareholder and Tecroad HoldCo entered into the Shareholders' Agreement dated 4 August 2009 (“Completion Date”), which have agreed, among others, upon a modified payment scheme that enhances the alignment of the interests of VFHC with those of Tecroad Shareholder and Tecroad HoldCo, that is, (i) HK\$15 million will be paid in cash to Tecroad Shareholder 7 days after the Completion Date, (ii) the consideration payable to Tecroad HoldCo and the balance of the cash consideration payable to Tecroad Shareholder will be subject to Tecroad HoldCo and its subsidiaries receiving new sales orders, the terms of which meet certain eligibility requirements, for lithium-ion batteries aggregating not less than RMB600 million (approximately HK\$679.7 million) within four months after the Completion Date, and (iii) the Company's 126,635,000 new shares (“Consideration Shares”) will be issued to Tecroad Shareholder upon receipt of such sales orders within four months after the Completion Date (and upon the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in such Consideration Shares).

Upon exercise of the Call Option, the date of payment for the exercise thereof and the date of issuance of shareholding to VFHC in respect thereto will, in lieu of the relevant dates stated in the Company's announcement dated 6 July 2009, take place on a date on or before the end of the option period that will be specified by VFHC.

Tecroad HoldCo is an investment holding company which has 100% beneficial ownership in Beijing Tecroad Energy Limited, a company established in the PRC which is principally engaged in the research and development, production and sales and distribution of technologically advanced environmentally-friendly emission-free lithium-ion batteries and new energy materials.

Details of the acquisition were disclosed in the Company's announcements dated 14 June, 6 July and 4 August 2009.

- (b) Subsequent to the balance sheet date, the Group had disposed of two investment properties. The details are as follows:
- (i) Mica Limited entered into a sale and purchase agreement with an independent third party to dispose of an investment property with carrying value of HK\$3.5 million at 30 April 2009 for a consideration of HK\$3.8 million. Up to the date of this announcement, a deposit of HK\$380,000 has been received and the balance of HK\$3,420,000 shall be received upon completion on 31 August 2009; and
  - (ii) Unitech Properties Limited entered into a sale and purchase agreement with an independent third party to dispose of an investment property with carrying value of HK\$10 million at 30 April 2009 for a consideration of HK\$11.95 million. Such property has been disposed of and completed on 18 August 2009 and the total consideration has also been received on the same date.

#### **14. OTHER INFORMATION**

The consolidated financial statements of the Company and its subsidiaries for the year ended 30 April 2009 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor, CCIF CPA Limited. The unqualified auditor's report will be included in the Annual Report to shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERALL PERFORMANCE

For the year ended 30 April 2009, the Group generated revenue of HK\$156.2 million (2008: approximately HK\$198.2 million) with a loss for the year of approximately HK\$50.3 million (2008: approximately HK\$27.7 million). The loss for the current year was mainly due to (i) realised and unrealised loss in relation to securities investment; (ii) unrealised fair value losses in relation to investment properties; and (iii) reduction in turnover in relation to the restaurant business, which factors were reflected in the Group's interim report for the six-month period ended 31 October 2008, and, to a small extent, due to disposal loss in relation to certain subsidiaries.

### Business Review

#### *Consumer Finance Business*

During the year ended 30 April 2009, the turnover of our consumer finance business was HK\$1.6 million, which was slightly higher than in the previous year. Most of the turnover was generated from secured loans to SME owners.

#### *Smart-card Financial Services Business*

In 2008, our RFID "e-ticket" pilot system for theme park admissions was installed and tested in Beijing. We are continuing to develop this RFID "e-ticket" payment card system into a new application as an "e-wallet" for consumer micro payments at multiple merchants in the PRC, and are continuing to explore potential commercial and investment opportunities in this direction. During this year, we have invested about HK\$7.0 million (2008: HK\$12.1 million) in research and development to deploy this "e-wallet" system based on the "e-ticket" system that we have developed. This research and development cost incurred resulted in a segment loss of HK\$11.1 million (2008: HK\$12.6 million).

#### *Securities Investment and Properties Investment*

During the year under review, the global turmoil in the stock markets and the market downturn in the Asia Pacific region's property sector had an adverse effect on securities investment and properties investment. The Group recorded a realised and unrealised loss on securities investment of approximately HK\$16.9 million (2008: loss of approximately HK\$4.4 million) for the year ended 30 April 2009.

The turnover of the Group's properties investment segment was HK\$444,000 (2008: HK\$396,000). The segment recorded a loss of HK\$2.2 million (2008: profit of HK\$6.1 million) due to the unrealised fair value losses of the investment properties valued as at 30 April 2009. Excluding the unrealised fair value losses in 2009, the recurring profit of the properties investment segment would have been HK\$283,000 (2008: HK\$220,000).

## ***Restaurant Business***

Our restaurant business continues to face a challenging market environment and a declining in consumer demand under the recent adverse conditions and the increasing instability of the global financial markets. During the year, we did not renew our lease at one of our locations in Hong Kong as a result of the increases in rental expenses, staff costs, material costs and fuel costs. Turnover for the restaurant operation dropped from HK\$196.5 million in 2008 to HK\$154.1 million for the year ended 30 April 2009 and a loss of HK\$4.2 million (2008: HK\$5.2 million) was recorded in ordinary restaurant activities and a loss on disposal of certain subsidiaries of HK\$3.6 million for the year ended 30 April 2009.

## **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 operations only.

## **FINANCIAL REVIEW**

### ***Liquidity and Financial Resources***

The Group maintains a stable financial position with cash and cash equivalents of the Group as at 30 April 2009 amounting to HK\$291.5 million (2008: HK\$328.3 million). The Group's current ratio as at 30 April 2009 is 7.8 (2008: 8.6). The total equity of the Group amounted to HK\$373.6 million (2008: HK\$420.4 million) as at 30 April 2009.

### ***Gearing***

The gearing ratio, as a ratio of bank loans to total equity, was 0.01 as at 30 April 2009 (2008: 0.01).

### ***Exchange Rate Exposure***

As at 30 April 2009, the Group's cash and cash equivalents amounted to HK\$291.5 million, the majority of which was in Hong Kong dollars. Since the majority of the Group's transactions, monetary assets and liabilities is denominated in Hong Kong dollars, United States dollars and Renminbi, with relatively stable exchange rates of Renminbi to Hong Kong dollars and Hong Kong's linked exchange rate between United States dollar and Hong Kong dollar, the Group has minimal exposure to exchange rate fluctuations.

### ***Treasury Policies***

The Group generally finances its ordinary operations with internally generated resources. The interest rates of most of the borrowings, if applicable, are charged by reference to prevailing market rates.

## ***Contingent Liabilities***

- (a) In December 2005, a legal action was commenced by a former employee of Kamboat Chinese Cuisine Company Limited (“KCCC”), a wholly owned subsidiary of the Company, against KCCC for the claim of approximately HK\$1,569,000 for personal injuries, loss and damages suffered during work in KCCC. In the opinion of the directors, such claim should be adequately covered by the Group’s insurance. Hence, no provision has been made in the financial statements.
- (b) As at 30 April 2009, 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\$976,000 (2008: HK\$1,205,000) at 30 April 2009.
- (c) As at 30 April 2008 and 2009, the Company provided corporate guarantee to a landlord to the extent of approximately HK\$370,000 in respect of the operating lease payments of a subsidiary. No recognition of such guarantee was made for the years ended 30 April 2008 and 2009 because the directors of the Company did not consider it probable that a claim would be made against the Group under the guarantee.

## ***Commitments***

The Group has capital commitments, which are contracted but not provided for, in respect of purchase of property, plant and equipment and investment properties amounting to HK\$5.7 million as at 30 April 2009 (2008: HK\$27.5 million).

## **FUTURE PROSPECTS**

The business environment remains challenging in the coming financial year due to 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 seek for other potential investment opportunities to secure its source of income, to boost its profitability, to lay a solid foundation for its long term business growth, and to bring reasonable return to its shareholders.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 April 2009, the Group had 431 (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.



## **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 2009. The Company did not redeem any of the Company's listed securities during the year.

## **CORPORATE GOVERNANCE REPORT**

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

1. According to the Code provisions, the non-executive directors should be appointed for a specific term, subject to re-election. All directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures are in place to ensure that the Company's corporate governance practices are no less exacting than those set out in the Code.
2. In accordance with the code provision, the role of chairman and chief executive officer ("CEO") should be performed by different individuals. Since September 2006, Mr Vong Tat Ieong, David, who is director and CEO of the Company, has also carried out the responsibilities of the chairman of the Company. The Board considers the present structure is more suitable to the Company for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Company's development strategies.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the directors (the "Model Code"). Having made specific enquiry with 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 Lam Lee G. 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 2009 have been reviewed by the Company's Audit Committee.

## **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 2009 as set out in the preliminary announcement have been agreed by the Group's auditor, 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](http://www.hkex.com.hk)) and the Company ([www.thevongroup.com](http://www.thevongroup.com)). The Company's 2009 annual report containing all the information required by the Listing Rules will be despatched to shareholders and will be available on the above websites in due course.

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

Hong Kong, 25 August 2009

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

\* *For identification purpose only*