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VONGROUP LIMITED

黃河實業有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 318)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2015

The board of directors (the “Board” or “Directors”) of Vongroup Limited (the “Company”) wishes to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2015, together with the comparative figures for the corresponding period of the previous year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2015

	Note	Six months ended 31 October (unaudited)	
		2015 HK\$'000	2014 HK\$'000
Turnover	4	17,115	13,012
Other revenue	4	30,115	1,182
Cost of inventories		(8,450)	(3,368)
Staff costs		(4,201)	(3,525)
Operating lease rentals		(284)	(2,566)
Depreciation and amortisation		(268)	(445)
Other expenses		(17,280)	(6,942)
Change in fair value of investment properties		7,226	550
Profit/(loss) from operations	5	23,973	(2,102)
Finance costs	6	(230)	(238)
Profit/(loss) before taxation		23,743	(2,340)
Income tax	7	(29)	(17)
Profit/(loss) for the period		23,714	(2,357)
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		(886)	(4)
Total comprehensive income/(expense) for the period		22,828	(2,361)
Profit/(loss) for the period attributable to:			
Owners of the Company		23,714	(2,357)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		22,828	(2,361)
Profit/(loss) per share			
Basic and diluted	9	HK\$0.0040	(HK\$0.0004)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2015

	<i>Note</i>	31 October 2015 <i>HK\$'000</i> (unaudited)	30 April 2015 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		14,208	14,472
Investment properties		193,782	186,949
Deposits paid for acquisition of property, plant and equipment		367	367
Available-for-sale investments		2,452	2,452
		<u>210,809</u>	<u>204,240</u>
Current assets			
Inventories		2,128	2,128
Forfeited collateral held for sale		658	683
Accounts receivable	10	8,550	–
Loans and advances to money lending customers		11,341	8,387
Deposits, prepayments and other receivables		31,303	29,513
Financial assets at fair value through profit or loss		20,053	31,124
Deposits placed with financial institutions		4,299	1,495
Cash and bank balances		35,951	55,366
		<u>114,283</u>	<u>128,696</u>
Assets of a disposal group classified as held for sale		–	7,433
		<u>114,283</u>	<u>136,129</u>
Current liabilities			
Accruals and deposits received		8,470	9,072
Bank borrowings		33,056	34,036
Tax payable		829	829
		<u>42,355</u>	<u>43,937</u>
Liabilities of a disposal group classified as held for sale		–	36,523
		<u>42,355</u>	<u>80,460</u>
Net current assets		<u>71,928</u>	<u>55,669</u>
Total assets less current liabilities		<u>282,737</u>	<u>259,909</u>
Non-current liabilities			
Deferred tax liabilities		686	686
NET ASSETS		<u><u>282,051</u></u>	<u><u>259,223</u></u>
Capital and reserves			
Share capital		5,860	5,860
Reserves		276,191	253,363
TOTAL EQUITY		<u><u>282,051</u></u>	<u><u>259,223</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2015

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and financial assets at fair value through profit or loss, which are measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2015.

Adoption of new or revised HKFRSs effective in the current period

In the current period, the Group has adopted all the new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning 1 May 2015. The adoption of these new or revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s interim financial statements and amounts reported for the current period and prior periods.

The Group has not applied the new or revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new or revised HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group’s executive directors, being the Group’s chief operating decision maker (“CODM”) for the purposes of resources allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

1.	Financial services:	Consumer finance, moneylending, other financial/business services and related activities
2.	Securities:	Securities and related activities
3.	Property:	Real property and related activities
4.	Technology & Media:	Technology & media and related activities
5.	Food & Beverage:	Catering services, other food & beverage businesses and related activities
6.	Corporate Treasury Management:	Management of treasury activities of the Group and related activities

(a) **Segment revenue and results**

For the purpose of assessing segment performance and allocating resources between segments, the Group's CODM monitors the revenue and results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales or financing activities generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The following is an analysis of the Group's revenue and results from operations by reportable segments:

	Segment revenue (unaudited)		Segment profit/(loss) (unaudited)	
	Six months ended 31 October		Six months ended 31 October	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial Services	8,993	512	125	110
Securities	–	2,049	(10,081)	2,469
Property	3,022	2,874	9,854	3,012
Technology & Media	5,000	150	211	(649)
Food & Beverage	100	7,427	29,559	(914)
Corporate Treasury Management	3,832	3,495	–	–
Segment total	20,947	16,507	29,668	4,028
Elimination	(3,832)	(3,495)	–	–
Total	17,115	13,012	29,668	4,028
Unallocated items:				
Other revenue			254	435
Administrative and other operating expenses			(5,949)	(6,565)
Finance costs			(230)	(238)
Profit/(loss) before taxation			23,743	(2,340)
Income tax			(29)	(17)
Profit/(loss) for the period			23,714	(2,357)

Segment revenue reported above, other than Corporate Treasury Management, represents revenue generated from external customers. There were no inter-segment sales, other than Corporate Treasury Management, in the current period (2014: Nil).

(b) **Geographical segments**

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

	Six months ended 31 October (unaudited)	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	16,655	4,884
Mainland China	325	7,993
Macau	135	135
Total	17,115	13,012

(c) **Information about major customers**

Two external customers contribute over 10% of the total revenue of the Group for the six months ended 31 October 2015: HK\$8.55 million and HK\$3.67 million (2014: nil).

4. TURNOVER, OTHER REVENUE AND OTHER NET GAINS

The Group's turnover, other revenue and other net gains for the period arose from the following activities:

	Six months ended 31 October (unaudited)	
	2015 HK\$'000	2014 HK\$'000
Turnover		
Income from financial services business	8,993	512
Net gain from securities business	–	2,049
Rental income from property business	3,022	2,874
Income from technology & media business	5,000	150
Income from food & beverage business	100	7,427
	<u>17,115</u>	<u>13,012</u>
Other revenue and other net gains		
Bank interest income	69	59
Other interest income	209	402
Dividend income from listed securities	365	538
Gain on disposal of subsidiaries	29,459	–
Exchange gain, net	3	–
Sundry income	10	183
	<u>30,115</u>	<u>1,182</u>

5. PROFIT/(LOSS) FROM OPERATIONS

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

	Six months ended 31 October (unaudited)	
	2015 HK\$'000	2014 HK\$'000
Staff costs	4,201	3,525
Net exchange (gain)/loss	(3)	53
Net realised and unrealised loss/(gain) on financial assets at fair value through profit or loss	10,354	(2,049)
Rental income from investment properties, net of direct outgoings HK\$49,000 (2014: HK\$86,000)	<u>(2,973)</u>	<u>(2,788)</u>

6. FINANCE COSTS

	Six months ended 31 October (unaudited)	
	2015 HK\$'000	2014 HK\$'000
Interest on bank borrowings	230	237
Other interest paid	–	1
	<u>230</u>	<u>238</u>

7. INCOME TAX

	Six months ended 31 October (unaudited)	
	2015 HK\$'000	2014 HK\$'000
Profits tax:		
PRC enterprise income tax	<u>29</u>	<u>17</u>

No provision for profits tax in the Cayman Islands, British Virgin Islands and Hong Kong has been made as the Group has no income assessable for tax for the period in these jurisdictions (2014: Nil).

The provision for PRC enterprise income tax is calculated at the standard rate of 25% on the estimated assessable income for the period as determined in accordance with the relevant income tax rules and regulations of the PRC.

8. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2015 (2014: Nil).

9. PROFIT/(LOSS) PER SHARE

The calculation of basic profit per share is based on the unaudited condensed consolidated profit for the six months ended 31 October 2015 of HK\$23,714,000 (2014: loss of HK\$2,357,000) and on the weighted average number of 5,859,860,900 (2014: 5,859,860,900) shares in issue during the current period.

Diluted profit/(loss) per share is equal to basic profit/(loss) per share as there were no dilutive potential ordinary shares in existence in both periods presented.

10. ACCOUNTS RECEIVABLE

The following aging analysis of the accounts receivable are based on due dates:

	31 October 2015 <i>HK\$'000</i> (unaudited)	30 April 2015 <i>HK\$'000</i> (audited)
Within 30 days	–	–
31-90 days	–	–
91-180 days	8,550	–
	<hr/>	<hr/>
	8,550	–
	<hr/> <hr/>	<hr/> <hr/>

The Group maintains a defined credit policy including stringent credit evaluation, with average credit terms of 30 to 180 days. Receivables are regularly reviewed and closely monitored to minimise any associated credit risk.

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 22 December 2015, Vongroup Holdings Limited (“VHL”), the Company and a placing agent entered into a placing and subscription agreement, pursuant to which (i) the placing agent agreed to place, on a best efforts basis, and VHL agreed to sell, up to a total of 1,000,000,000 shares at a price of HK\$0.0481 per share; and (ii) VHL has agreed to subscribe for up to 1,000,000,000 shares at the price of HK\$0.0481 per share.

12. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements have been reviewed with no disagreement by the Audit Committee of the Company and were approved and authorised for issue by the Board on 29 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group generated turnover of approximately HK\$17.1 million (2014: approximately HK\$13.0 million) with a profit for the six months ended 31 October 2015 of approximately HK\$23.7 million (2014: loss of approximately HK\$2.4 million). The profit for the period was mainly due to, amongst others, the disposal gain on subsidiaries. Our Financial Services business has been continuing to broaden its customer base in order to diversify its income stream. Our Securities business has contributed a realised/unrealised loss for trading securities as the economic environment has been relatively volatile and uncertain. Our Property business has been contributing a steady growth of rental income, and we continue to identify further suitable investment opportunities. Our Technology & Media business has seen an increase in its income, and we have been continuing to explore different potential business or investment opportunities in Hong Kong and internationally to diversify income sources in this sector. Our Food & Beverage business, following the disposal of certain subsidiaries, has been continuing to expand upon the Group's experience in this sector by exploring different investment opportunities in smaller-scale operations, and more casual food & beverage and related businesses.

Business Review

Financial Services

During the period, the revenue of our financial services business was approximately HK\$9.0 million (2014: approximately HK\$0.5 million) with business segment profit for the period of approximately HK\$0.1 million (2014: profit of approximately HK\$0.1 million).

Securities

Our securities business recorded a net realised and unrealised loss on trading of securities investment of approximately HK\$10.4 million (2014: gain of approximately HK\$2.0 million), which contributed a loss for our securities segment of approximately HK\$10.1 million for the six months ended 31 October 2015 (2014: gain of approximately HK\$2.5 million).

Property

The revenue of the Group's property business segment was approximately HK\$3.0 million (2014: approximately HK\$2.9 million). The business segment contributed a profit of HK\$9.9 million (2014: profit of approximately HK\$3.0 million) to the Group. Excluding the gain on unrealised fair value, the recurring profit of the property business segment would have been approximately HK\$2.6 million (2014: approximately HK\$2.5 million).

Technology & Media

Our technology & media business recorded revenue of approximately HK\$5.0 million (2014: approximately HK\$0.2 million) with business segment profit for the period of approximately HK\$0.2 million (2014: loss of approximately HK\$0.6 million).

Food & Beverage

Our food & beverage business recorded a segment profit of approximately HK\$29.6 million (2014: loss of approximately HK\$0.9 million) due to a gain on disposal of subsidiaries of approximately HK\$29.5 million during the six months ended 31 October 2015. Excluding the disposal gain, the revenue in this sector was approximately HK\$0.1 million (2014: approximately HK\$7.4 million).

Seasonal/Cyclical Factors

The sales volume of some of our businesses during festive periods is normally higher than the sales volume in the slack periods of the period for food & beverage operations.

FUTURE PROSPECTS

Looking forward, the global business environment is expected to remain uncertain and the Group will continue to seek further business and investment opportunities in Hong Kong and internationally.

Financial Review

Liquidity and Financial Resources

The Group maintained cash and bank balances as at 31 October 2015 amounting to approximately HK\$36.0 million (30 April 2015: approximately HK\$55.4 million). The Group's current ratio as at 31 October 2015 was 2.7 (30 April 2015: 1.7). The total equity of the Group amounted to approximately HK\$282.1 million (30 April 2015: approximately HK\$259.2 million) as at 31 October 2015.

Gearing

The gearing ratio, as a ratio of bank borrowings to total equity, was 0.12 as at 31 October 2015 (30 April 2015: 0.13).

Exchange Rate Exposure

As at 31 October 2015, the Group's cash and bank balances amounted to approximately HK\$36.0 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 and bank borrowings. The interest rates of borrowings, if applicable, are generally charged by reference to prevailing market rates.

Employment and Remuneration Policy

As at 31 October 2015, the Group had 15 (30 April 2015: 49) employees in Hong Kong and Mainland China. The Group has not experienced any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare, share options and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

OTHER INFORMATION

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standards set out in the Model Code during the six months ended 31 October 2015.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2015 (2014: nil).

Purchase, Sale or Redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Audit Committee

During the current period, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive directors, namely, Fung Ka Keung David, Lam Lee G. and Wong Man Ngar Edna. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 October 2015.

Compliance with the Code on Corporate Governance Practices

During the period under review, the Company has complied with the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Listing Rules, except the deviation from code provisions A.2.1, A.4.1 and A.6.7 of the CG Code as described below.

Under code provision A.2.1, the role of chairman and chief executive officer (“CEO”) should be performed by different individuals. Since September 2005, Vong Tat Ieong David, who is a director and CEO of the Company, has also carried out the responsibilities of the chairman of the Company. The Board considers the present structure is more suitable to the Company for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Company’s development strategies.

Under code provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors of the Company, including the independent non-executive Directors, are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years as specified in the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

Under code provision A.6.7, independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. There are three independent non-executive Directors of the Company; they were unable to attend the 2015 annual general meeting of the Company held on 29 September 2015 due to their engagement with their other commitments.

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

Hong Kong, 29 December 2015

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

* *For identification purpose only*