



金榜集團控股有限公司
GOLDBOND GROUP HOLDINGS LIMITED

Stock Code: 00172

Interim Report 2012/13



BOARD OF DIRECTORS

Executive Directors

Mr. Wang Jun (*Chairman*)
Mr. Wong Yu Lung, Charles
(*Deputy Chairman*)
Mr. Ding Chung Keung
(*Chief Executive Officer*)
Mr. Kee Wah Sze
Mr. Xie Xiao Qing
Ms. Wong, Michelle Yatyee
Mr. Melvin Jitsumi Shiraki

Independent non-executive Directors

Mr. Ma Ho Fai SBS JP
Mr. Cheng Yuk Wo
Mr. Ng Chi Keung MH

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)
Mr. Ma Ho Fai SBS JP
Mr. Ng Chi Keung MH

REMUNERATION COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)
Mr. Ma Ho Fai SBS JP
Mr. Kee Wah Sze

NOMINATION COMMITTEE

Mr. Ng Chi Keung MH (*Chairman*)
Mr. Cheng Yuk Wo
Mr. Ding Chung Keung

SECRETARY

Ms. Li Yu Lian, Kelly

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

00172

REGISTERED OFFICE

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Tower One, Lippo Centre
89 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER

lu, Lai & Li

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
China CITIC Bank International Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITES

<http://www.goldbondgroup.com>
<http://www.irasia.com/listco/hk/goldbondgroup/>

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the results for the Period (corresponding period in 2011: nil).

BUSINESS REVIEW

The Group is engaged principally in the provision of non-bank financial services to small-to-medium enterprises (“SMEs”) in the People’s Republic of China (“China”). Through more than 20 operating offices located in Chongqing, Guangdong, Hubei, Hunan, Jiangsu, Sichuan and Zhejiang, the Group mainly offers financial leasing and financing services to accommodate different financial needs of its customers across the country.

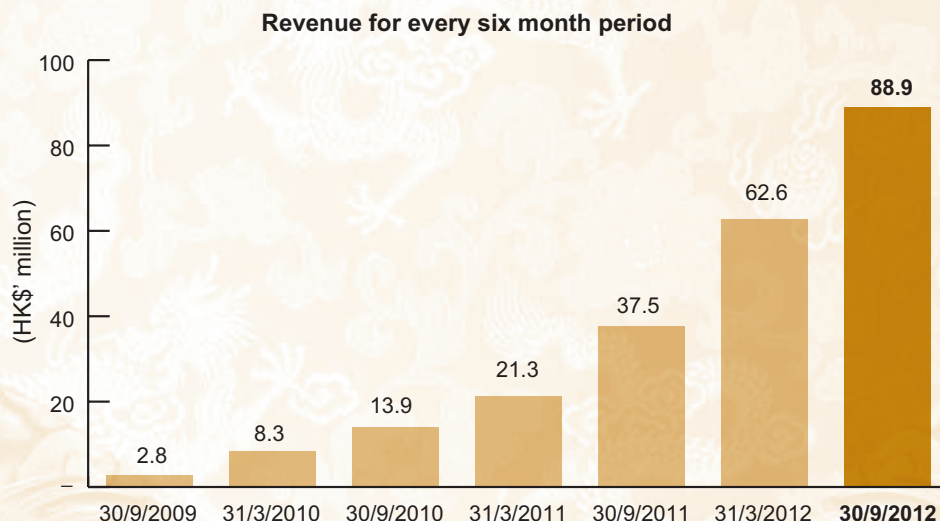
In October 2011, the Group introduced a strategic investor, Hony Capital Fund 2008 L.P., to Rongzhong Group Limited (“Rongzhong”), a 71% owned subsidiary of the Group prior to the introduction, (the “Introduction”) and completed a reorganization which involved, among others, the spinoff of Rongzhong Capital Holdings Limited (“Rongzhong Capital”) and its subsidiaries (collectively “Rongzhong Leasing Group”), which are engaged principally in the provision of financial leasing and related services in China, from Rongzhong. Upon the completion of the Introduction, Rongzhong Leasing Group became a 50.055% owned subsidiary of the Group and Rongzhong and its subsidiaries (collectively the “Rongzhong Group”), which focus on the business of loan guarantee, financing, financial consulting and management services in China, became a 40% owned jointly controlled entity of the Group.

Financial Leasing

The Group offers medium to long term financial leasing and related services to SMEs in China through Rongzhong International Financial Leasing Co., Ltd. (“Rongzhong Leasing”), a wholly owned subsidiary of Rongzhong Capital. Established in Wuhan under the wholly foreign-owned leasing license issued by the Ministry of Commerce of China, Rongzhong Leasing commenced business operation in late 2008 offering a wide range of financial leasing services, such as direct leasing, sales and leaseback, leveraged leasing, lease with buy-back undertaking and other related consultancy services. The customer base spans over various provinces and cities, including: Anhui, Beijing, Chongqing, Guangdong, Guizhou, Hebei, Henan, Hubei, Hunan, Jiangsu, Jiangxi, Jilin, Liaoning, Shaanxi, Shandong, Shanghai, Shanxi, Sichuan, Tianjin and Zhejiang.



Since the commencement of the financial leasing business in 2008, the Group has achieved significant growth over these years. The total carrying value of finance leases receivable as at 30 September 2012 reached HK\$1,346.8 million (31 March 2012: HK\$1,215.5 million), representing an increase of 11% over the Period. This portfolio contributed a total revenue for the Period of HK\$88.9 million (corresponding period in 2011: HK\$37.5 million), representing an increase of 137%. This remarkable performance was mainly contributed by the Group's well developed business platform and network, the steady economic growth in China and the strong support of local banks over these years.



While the financial leasing business is currently going through a strong growth stage, the ability to maintain healthy asset quality is always of vital importance to the success of doing this business. Through the stringent and effective processes in customer selection, credit assessment and post-leasing monitoring control, the Group has been able to maintain very healthy and strong asset quality with no non-performing assets as at 30 September 2012.

As at 30 September 2012, the total registered capital of Rongzhong Leasing amounted to US\$39.5 million. The Group will monitor the capital adequacy of Rongzhong Leasing for continuous and healthy business growth. When opportunity arises, the Group will strengthen its capital base to support the continuous development.

Given the strong market demand of financial leasing service in China, the well developed business network and the cohesive industry relationship of the Group, Rongzhong Leasing will continue expanding its services to all quality customers in China.

Financing

As at 30 September 2012, the Group had two revolving loan facilities with a total facility amount of HK\$1,085 million offered to the Rongzhong Group to support its business growth (the "Rongzhong Facilities").

Rongzhong Facilities

The Group currently has two revolving loan facilities offered to the Rongzhong Group. The first loan facility is to make available a 3 years revolving loan facility of HK\$900 million in which a loan of HK\$444 million (the "Special Loan") is bearing an interest rate of 5% per annum and repayable beyond 1 year of the reporting date while the remaining facility amount is bearing an interest rate of 10% per annum and repayable within 1 year of the reporting date. The second loan facility is to make available a 2 years revolving loan facility of RMB150 million (equivalent to HK\$185 million) bearing an interest rate of 3% per annum and repayable beyond 1 year of the reporting date. As at

Management Discussion and Analysis

30 September 2012, the total carrying amount of the Rongzhong Facilities was HK\$649.2 million (31 March 2012: HK\$671.5 million) and the total interest generated therefrom for the Period was HK\$29.8 million (corresponding period in 2011: HK\$32.3 million). In addition, resulting from a change of the expected completion date of the Proposed IPO of Rongzhong Group relating to the Introduction (details of the capitalised terms are disclosed in the circular of the Company dated 23 September 2011), an adjustment of HK\$39.5 million to write down the carrying amount of the Special Loan was recognised by the Group during the Period in accordance with the applicable accounting standards. This adjustment represented the present value of the difference in future contractual cash flows of the Special Loan taking into account the original interest rate of 10% per annum prior to the Introduction and the change of assumption relating to the Introduction. According to the applicable accounting standards, this adjustment will be reversed in full, based on the effective interest method, over the remaining life of the Special Loan.

鹽城市金榜科技小額貸款有限公司

(Yancheng Goldbond Technology Small Loan Company Limited[#])

Subsequently in November 2012, the Group had successfully obtained an approval to establish a wholly foreign-owned small loan company, 鹽城市金榜科技小額貸款有限公司 (“Yancheng Goldbond”), with a registered capital of US\$30 million in Yancheng of Jiangsu. Yancheng Goldbond is a wholly owned subsidiary of the Group and will offer authorised financial solutions to all technology-focused SMEs within the city of Yancheng. Unlike all other agricultural-focused small loan companies in China which are mainly authorised to provide financing service to SMEs and individuals in agricultural related sector, Yancheng Goldbond is authorised to offer, in addition to financing service, loan guarantee service, direct venture investment and other services approved by the provincial government, to its customers in Yancheng, which is the largest jurisdiction area and has the second largest population of Jiangsu.

The establishment of this new business platform of the Group signifies a successful strategic move for business expansion in Jiangsu. The Group also anticipates that it will become another stable income source of the Group in addition to the financial leasing business.

The Rongzhong Group

The Rongzhong Group is a 40% owned jointly controlled entity of the Group. Through various business platforms, including loan guarantee companies, pawn shops, small loan company and other financial consulting and management companies, the Rongzhong Group offers various financial services to customers in China, covering financing, loan guarantee, financial consulting and management services. With business operation for more than one decade, the Rongzhong Group has developed strong and cohesive business relationship with numerous SMEs and more than 20 co-operating banks in China.

After the Introduction, the Group accounts for the operating results of the Rongzhong Group based on equity method; thus, only limited comparative figures are provided as such results prior to the Introduction were consolidated but not equity accounted for in the preceding interim period.

During the Period, the Rongzhong Group generated a total revenue of HK\$175.8 million (corresponding period in 2011: HK\$128.7 million), representing a growth of 37%. The total advance to customers, net of provision, grew by 23% to HK\$1,388.6 million as at 30 September 2012 (31 March 2012: HK\$1,124.7 million). However, due to a significant impairment provision made by the Rongzhong Group, the Group shared a net loss of HK\$15.9 million from the operation of the Rongzhong Group for the Period. This impairment provision mainly represented the difference between the carrying amounts of delinquent loan principal and interest from a number of customers in the financing business and their respective present values estimated in accordance with the applicable accounting standards by the management of the Rongzhong Group although the majority of these carrying amounts are expected to be recovered in subsequent periods. Such delinquent payments were mainly a result of the stringent financial and monetary policies employed by the Chinese government to tighten the market liquidity and slow down the activity of real estate market in China which affected the repayment ability of certain customers.

[#] For identification purpose only

OUTLOOK

Looking ahead, SMEs are still the most dynamic business group playing a unique role in China's economic development. With the continuous support of the Chinese government by optimizing the legislative framework for SMEs' development, intensifying the loan guarantee system to alleviate SMEs' financial difficulty and introducing favourable policies, including tax policy, to encourage establishment of SMEs, the total number of SMEs in China has grown significantly lately. It has created a huge opportunity to grow the financial services currently offered by the Group and the Rongzhong Group. With the long established brand identity and the all-round financial services offered to support the long-term growth of SMEs in China, the Group and the Rongzhong Group are willing to seize this opportunity to enlarge their footprints in China. Given the current uncertain and challenging global economic condition, the Group will implement its expansion plan with due care and caution.

FINANCIAL REVIEW

After the Completion, the Rongzhong Group became a jointly controlled entity of the Group and its operating result since the Completion Date has been accounted for, by the equity method, by the Group and shown as a separate item in the Group's condensed consolidated statement of comprehensive income. In last Period, the operating result with respect to the business of loan guarantee and financing services conducted by the Rongzhong Group prior to the Completion Date was presented separately as "discontinued operations" in the Group's condensed consolidated statement of comprehensive income.

Revenue

The Group generated a total revenue from continuing operations for the Period of HK\$118.7 million (corresponding period in 2011: HK\$37.5 million), representing a remarkable growth of 216%. This was mainly contributed by the growth of the financial leasing business to HK\$88.9 million (corresponding period in 2011: HK\$37.5 million) and of the financing business to HK\$29.8 million (corresponding period in 2011: nil). In the corresponding period in 2011, the Group also had revenue from the discontinued operations of loan guarantee and financing businesses from the Rongzhong Group of HK\$128.7 million.

Results of Operations

The Group generated a total profit for the Period attributable to the owners of the Company of HK\$3.9 million (corresponding period in 2011: HK\$27.5 million), representing a decrease of about 86%. Such decrease was mainly due to net effect of (1) the growth of the financial leasing business operation, (2) the adjustment to the carrying amount of the Rongzhong Facilities and the change in fair values of financial liabilities resulting from the change of the expected completion date of the Proposed IPO and (3) the share of operating loss suffered by the Rongzhong Group as a result of the significant provision made against the delinquent loan principal and interest repayment of its financing business. Excluding the following major non-cash items, the profit for the Period attributable to the owners of the Company would be HK\$26.9 million and the details are set out below:

	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Profit attributable to owners of the Company	3,882	27,509
Adjustments of major non-cash expenses (income):		
Adjustment to the carrying amount of a loan to a jointly controlled entity	39,506	–
Change in fair values of financial liabilities	(19,920)	–
Equity-settled share based payment	3,403	3,550
Attributable exchange loss on non-RMB denominated net assets	–	12,558
Adjusted profit attributable to owners of the Company	26,871	43,617

Total Comprehensive Income for the Period Attributable to the Owners of the Company

The Group generated a total comprehensive income for the Period attributable to the owners of the Company of HK\$3.9 million (corresponding period in 2011: HK\$76.4 million), representing a decrease of about 95%. The significant decrease during the Period was mainly due to (1) the drop of operating profits of the Group and (2) the drop of exchange gain recognised as there was no significant appreciation of Renminbi during the Period.

Financial Resources and Capital Structure

The Group always maintains healthy cash position and sufficient capital for business development. As at 30 September 2012, the aggregate sum of cash, bank balances and short term bank deposits amounted to HK\$605.8 million (31 March 2012: HK\$591.2 million). The working capital (current assets less current liabilities) and the total equity of the Group were HK\$815.1 million (31 March 2012: HK\$671.9 million) and HK\$2,203.0 million (31 March 2012: HK\$2,178.3 million) respectively.

As at 30 September 2012, all bank borrowings of the Group were denominated in Renminbi and granted by banks in China to solely support the development of the financial leasing business. The bank borrowings of HK\$680.5 million (31 March 2012: HK\$796.4 million) bore interest with reference to the rate offered by the People's Bank of China and the remaining bank borrowings of HK\$139.8 million (31 March 2012: nil) bore fixed interest ranging from 6.40% to 6.65% per annum. The bank borrowings of HK\$381.0 million (31 March 2012: HK\$372.7 million) would be settled within one year while the remaining bank borrowings of HK\$439.3 million (31 March 2012: HK\$423.7 million) would be due after one year. The Group has transferred most interest rate risk exposure to customers by allowing adjustment to the amount of leases receivable with reference to the change in market interest rates. Apart from this, the Group has not used any derivative to hedge against other interest rate risk exposure.

Liquidity and Gearing Ratio

The Group's healthy liquidity position is shown by the current ratio maintained throughout the Period. As at 30 September 2012, the current ratio (current assets/current liabilities) of the Group was 2.61 times (31 March 2012: 2.42 times). As the economic environment in China is rather uncertain in the short run, it is the Group's intention to maintain a moderate level of gearing ratio. As at 30 September 2012, the debt-to-equity ratio (total bank borrowing/total equity) of the Group was 37.2% (31 March 2012: 36.6%) while the net debt-to-equity ratio was 9.7% (31 March 2012: 12.5%) after considering the cash position maintained by the Group.

Charges on Group Assets

As at 30 September 2012, the Group's finance leases receivable of HK\$964.6 million (31 March 2012: HK\$851.7 million) and security deposits of HK\$16.4 million (31 March 2012: HK\$19.4 million) were pledged to banks in China to secure the bank borrowings of the Group.

Exposure to Fluctuations in Exchange Rates

The Group reports its operating result in Hong Kong dollar but major operations of the Group are carried out in China, transacted and recorded in Renminbi with some monetary assets and liabilities denominated in other foreign currencies. The Group is, thus, exposed to the fluctuation in exchange rates between Renminbi, Hong Kong dollar and other currencies. The Group has taken in place effective measures and monitored the foreign currency movement closely. At present, no derivative instrument is used by the Group to hedge against any exchange rate risk exposure.

Contingent Liabilities

As at 31 March 2012, the Company had given a guarantee to a bank for the granting of a borrowing of not more than RMB100 million, equivalent to HK\$123.5 million, which was fully utilized as at 31 March 2012, to a jointly controlled entity of the Group. The guarantee provided by the Company was 51% of all sums payable by the borrower. During the Period, the borrowing was fully repaid and the guarantee was released.

Employees and Remuneration Policy

As at 30 September 2012, the Group had approximately 40 staff located in both Hong Kong and China. The Group remunerates these employees based on their performance, experience and prevailing industry practices. Other benefits offered to these employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.



TO THE BOARD OF DIRECTORS OF GOLDBOND GROUP HOLDINGS LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Goldbond Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 9 to 30, which comprise the condensed consolidated statement of financial position of 30 September 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 November 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Notes	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Continuing operations			
Revenue	3	118,678	37,535
Other income		8,013	2,009
Staff costs		(10,610)	(9,635)
Other operating expenses		(5,176)	(28,526)
Adjustment to the carrying amount of a loan to a jointly controlled entity	10	(39,506)	–
Change in fair values of financial liabilities		19,920	–
Direct finance costs		(42,317)	(21,819)
Other finance costs		(200)	(174)
Share of loss of a jointly controlled entity		(15,858)	–
Profit (loss) before taxation	4	32,944	(20,610)
Taxation	5	(11,597)	(3,336)
Profit (loss) for the period from continuing operations		21,347	(23,946)
Discontinued operations			
Profit for the period from discontinued operations	6	–	65,378
Profit for the period		21,347	41,432
Other comprehensive income			
Exchange differences arising on translation		14	54,916
Total comprehensive income for the period		21,361	96,348
Profit for the period attributable to:			
Owners of the Company		3,882	27,509
Non-controlling interests		17,465	13,923
		21,347	41,432
Total comprehensive income for the period attributable to:			
Owners of the Company		3,896	76,442
Non-controlling interests		17,465	19,906
		21,361	96,348
Earnings (loss) per share	8		
From continuing and discontinued operations – Basic and diluted		0.14 cents	1.00 cents
From continuing operations – Basic and diluted		0.14 cents	(0.69) cents

Condensed Consolidated Statement of Financial Position

At 30 September 2012

	Notes	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Non-current assets			
Equipment	9	1,695	2,184
Interest in a jointly controlled entity	10	1,051,638	1,067,496
Loans to a jointly controlled entity	10	577,703	671,515
Finance leases receivable	11	732,376	689,796
Club debentures		18,179	18,179
		2,381,591	2,449,170
Current assets			
Loan to a jointly controlled entity	10	71,462	–
Amount due from a jointly controlled entity	10	404	542
Finance leases receivable	11	614,469	525,662
Prepayments, deposits and other receivable		13,765	7,176
Security deposits	12	16,380	19,430
Short term bank deposits			
– with original maturity within three months		568,758	494,813
– with original maturity more than three months		–	66,866
Bank balances and cash		37,084	29,503
		1,322,322	1,143,992
Current liabilities			
Other payable and accrued charges		41,810	32,559
Deposits from finance lease customers	11	55,970	43,552
Deferred income		16,916	14,048
Taxation		5,546	3,611
Bank borrowings – amount due within one year	13	381,048	372,718
Liabilities under shareholders' agreements	14	5,901	5,583
		507,191	472,071
Net current assets		815,131	671,921
Total assets less current liabilities		3,196,722	3,121,091

Condensed Consolidated Statement of Financial Position

At 30 September 2012

	Notes	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Capital and reserves			
Share capital		274,501	274,501
Reserves		1,723,840	1,716,541
Equity attributable to owners of the Company		1,998,341	1,991,042
Non-controlling interests		204,702	187,237
Total equity		2,203,043	2,178,279
Non-current liabilities			
Deposits from finance lease customers	11	237,860	182,641
Deferred income		19,959	19,917
Bank borrowings – amount due after one year	13	439,315	423,671
Liabilities under shareholders' agreements	14	293,585	313,823
Redeemable convertible preference shares	15	2,960	2,760
		993,679	942,812
		3,196,722	3,121,091

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

	Attributable to owners of the Company										Attributable to non-controlling interest	Total
	Share capital	Share premium	Revaluation reserve	Employee share-based compensation reserve	General reserve	Capital reserve	Statutory surplus reserve	Translation reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 (audited)	276,056	552,581	3,000	43,394	6,000	-	12,883	116,133	450,424	1,460,471	154,054	1,614,525
Exchange differences arising on translation	-	-	-	-	-	-	-	49,147	-	49,147	6,195	55,342
Profit for the year	-	-	-	-	-	-	-	-	500,813	500,813	21,557	522,370
Total comprehensive income for the year	-	-	-	-	-	-	-	49,147	500,813	549,960	27,752	577,712
Sub-total	276,056	552,581	3,000	43,394	6,000	-	12,883	165,280	951,237	2,010,431	181,806	2,192,237
Dividends recognised as distribution (Note 7)	-	-	-	-	-	-	-	-	(55,211)	(55,211)	-	(55,211)
Non-controlling interests arising on subscriptions of new shares of a subsidiary	-	-	-	-	-	-	-	-	-	-	156,000	156,000
Addition non-controlling interests arising on debts capitalisation by a subsidiary	-	-	-	-	-	-	-	-	-	-	45,240	45,240
Derecognised upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(159,384)	(159,384)
Gain on deemed disposal of a subsidiary	-	-	-	-	-	35,135	-	-	-	35,135	(35,135)	-
Expenses incurred for deemed disposal of a subsidiary	-	-	-	-	-	(100)	-	-	-	(100)	(100)	(200)
Realisation of reserve upon disposal of subsidiaries	-	-	-	-	-	-	(12,026)	(53,604)	65,630	-	-	-
Repurchase of ordinary shares	(1,555)	(4,624)	-	-	-	-	-	-	-	(6,179)	-	(6,179)
Transaction costs attributable to repurchase of ordinary shares	-	(25)	-	-	-	-	-	-	-	(25)	-	(25)
Recognition of equity-settled share-based payments	-	-	-	6,991	-	-	-	-	-	6,991	-	6,991
Transferred to statutory surplus reserve	-	-	-	-	-	-	1,110	-	(1,110)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,190)	(1,190)
At 31 March 2012 (audited)	274,501	547,932	3,000	50,385	6,000	35,035	1,967	111,676	960,546	1,991,042	187,237	2,178,279
Exchange differences arising on translation	-	-	-	-	-	-	-	14	-	14	-	14
Profit for the period	-	-	-	-	-	-	-	-	3,882	3,882	17,465	21,347
Total comprehensive income for the period	-	-	-	-	-	-	-	14	3,882	3,896	17,465	21,361
Sub-total	274,501	547,932	3,000	50,385	6,000	35,035	1,967	111,690	964,428	1,994,938	204,702	2,199,640
Recognition of equity-settled share-based payments (Note 16)	-	-	-	3,403	-	-	-	-	-	3,403	-	3,403
At 30 September 2012 (unaudited)	274,501	547,932	3,000	53,788	6,000	35,035	1,967	111,690	964,428	1,998,341	204,702	2,203,043

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

	Attributable to owners of the Company										Attributable to non-controlling interest	Total
	Share capital	Share premium	Revaluation reserve	Employee share-based compensation reserve	General reserve	Capital reserve	Statutory surplus reserve	Translation reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 (audited)	276,056	552,581	3,000	43,394	6,000	-	12,883	116,133	450,424	1,460,471	154,054	1,614,525
Exchange differences arising on translation	-	-	-	-	-	-	-	48,933	-	48,933	5,983	54,916
Profit for the period	-	-	-	-	-	-	-	-	27,509	27,509	13,923	41,432
Total comprehensive income for the period	-	-	-	-	-	-	-	48,933	27,509	76,442	19,906	96,348
Sub-total	276,056	552,581	3,000	43,394	6,000	-	12,883	165,066	477,933	1,536,913	173,960	1,710,873
Dividends recognised as distribution (Note 7)	-	-	-	-	-	-	-	-	(55,211)	(55,211)	-	(55,211)
Recognition of equity-settled share-based payments (Note 16)	-	-	-	3,550	-	-	-	-	-	3,550	-	3,550
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,191)	(1,191)
At 30 September 2011 (unaudited)	276,056	552,581	3,000	46,944	6,000	-	12,883	165,066	422,722	1,485,252	172,769	1,658,021

Note: Pursuant to the articles of association of the group companies established in the People's Republic of China ("China"), the group companies are required to appropriate 10% or an amount to be determined by the directors of their respective profits after taxation in accordance with the relevant China accounting rules and financial regulations before any distribution of dividends to equity holders each year to the statutory surplus reserve until their balances reach 50% of their respective registered capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Net cash from (used in) operating activities		
Increase in finance leases receivable	(131,387)	(340,332)
Increase in accounts receivable and advances to customers	–	(159,760)
Increase in deposits from finance lease customers	67,637	65,411
Decrease in loans receivable	–	3,535
Other operating activities	78,859	92,942
	15,109	(338,204)
Net cash from investing activities		
Decrease in short-term bank deposits with original maturity more than three months	66,866	122,050
Loan repaid from a jointly controlled entity	10,013	–
Interest received	7,745	3,001
Decrease in amount due from a jointly controlled entity	138	–
Proceeds from disposal of equipment	–	2,690
Acquisition of an associate	–	(11,905)
Purchase of equipment	(2)	(3,617)
	84,760	112,219
Net cash from financing activities		
New loans raised	226,728	410,139
Repayment of bank loans	(202,754)	(87,647)
Dividends paid	–	(55,211)
Other financing activities	(42,317)	(27,737)
	(18,343)	239,544
Net increase in cash and cash equivalents	81,526	13,559
Cash and cash equivalents at beginning of the period	524,316	321,185
Effect of foreign currency rate changes	–	6,410
Cash and cash equivalents at end of the period, representing bank balances and cash	605,842	341,154
Analysis of balances of cash and cash equivalents		
Bank balances and cash (Note)	37,084	113,020
Short term bank deposits with original maturity within three months	568,758	228,134
	605,842	341,154

Note: Included in the bank balances and cash in the prior period was HK\$38,055,000 from assets classified as held for sale which represented a Disposal Group (as set out in Note 6) when the requirements and conditions specified in HKFRS 5 were met.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatory effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective.

3. SEGMENT INFORMATION

The Group is currently organised into the following operating divisions: financial leasing, financing, project financing and consultancy. For the purpose of resources allocation and performance assessment, financial information relating to these operations is reported internally and is regularly reviewed by the Chief Executive Officer, being the chief operating decision maker, based on the following divisions, which constitute separate operating and reportable segments for financial reporting purposes:

- (a) Provision of financial leasing service; and
- (b) Provision of financing service including financing, project financing and consultancy service.

Operations regarding financing (previously part of the financing service segment) and provision of loan guarantee service (previously a separate reportable segment) were discontinued on 26 October 2011 (described in more detail in Note 6). The segment information in respect of continuing operations is reported below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (continued)

Segment revenue and results

An analysis of the Group's revenue and results from continuing operations by reportable segments is as follows:

Six months ended 30 September 2012

Continuing operations

	Financial leasing service HK\$'000 (Note a)	Financing service HK\$'000 (Note b)	Total HK\$'000
Revenue from customers	88,903	29,775	118,678
Segment results	43,847	(9,731)	34,116
Investment income			7,745
Change in fair values of financial liabilities			19,920
Unallocated corporate income and expenses:			
– other administrative income and expenses			(12,856)
– net exchange gain			77
Other finance costs			(200)
Share of loss of a jointly controlled entity			(15,858)
Profit before taxation (continuing operations)			32,944

Six months ended 30 September 2011

Continuing operations

	Financial leasing service HK\$'000 (Note a)	Financing service HK\$'000 (Note b)	Total HK\$'000
Revenue from customers	37,535	–	37,535
Segment results	12,974	–	12,974
Investment income			1,874
Unallocated corporate income and expenses:			
– other administrative income and expenses			(11,715)
– net exchange loss			(23,569)
Other finance costs			(174)
Loss before taxation (continuing operations)			(20,610)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Revenue from continuing operations reported above represents income generated from external customers in China of HK\$88,903,000 (HK\$37,535,000 for the six months ended 30 September 2011) and loan interest income generated from a jointly controlled entity incorporated outside China of HK\$29,775,000 (Nil for the six months ended 30 September 2011).

Segment results represent the profit earned by each segment without allocation of central administration costs, investment income, change in fair values of financial liabilities, other finance costs and share of loss of a jointly controlled entity. This is the measure reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Notes:

- a. Included in segment results from financial leasing service segment are direct finance costs of HK\$42,317,000 (HK\$21,819,000 for the six months ended 30 September 2011).
- b. Included in segment results from financing service segment is a non-cash expense relating to the adjustment to the carrying amount of a loan to a jointly controlled entity of HK\$39,506,000 (Nil for the six months ended 30 September 2011).

Segment assets

An analysis of the Group's assets by reportable segments is as follows:

As at 30 September 2012

	Financial leasing service HK\$'000	Financing service HK\$'000	Total HK\$'000
Assets			
Segment assets	1,375,808	649,165	2,024,973
Interest in a jointly controlled entity			1,052,042
Unallocated assets			626,898
Total assets			3,703,913

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (continued)

Segment assets (continued)

As at 31 March 2012

	Financial leasing service HK\$'000	Financing service HK\$'000	Total HK\$'000
Assets			
Segment assets	1,241,282	671,515	1,912,797
Interest in a jointly controlled entity			1,068,038
Unallocated assets			612,327
Total assets			3,593,162

For the purposes of monitoring segment performance and allocating resources between segments, the Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments other than interest in a jointly controlled entity, club debentures, bank balances and cash, short term bank deposits, and certain corporate assets for central administrative uses.

4. PROFIT (LOSS) BEFORE TAXATION – CONTINUING OPERATIONS

Profit (loss) before taxation from continuing operations has been arrived at after charging (crediting) the following items:

Continuing operations

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Interest expense on:		
Bank and other borrowings	42,317	21,819
Redeemable convertible preference shares	200	174
	42,517	21,993
Depreciation of equipment	491	442
Interest income	(7,745)	(1,874)
Operating lease charges in respect of properties	1,442	1,296
Net foreign exchange (gain) loss	(77)	23,569

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

5. TAXATION

Continuing operations

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
The current tax charge comprises:		
Enterprise Income Tax in China	11,597	3,336

Taxation for subsidiaries in China is calculated at the appropriate current rates of taxation in China.

Deferred taxation has not been recognised in respect of the temporary differences attributable to the accumulated profits of the subsidiaries in China since 1 January 2008 totalling HK\$79,320,000 (31 March 2012: HK\$44,690,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. DISCONTINUED OPERATIONS

On 24 August 2011, a sale and purchase agreement and two subscription agreements were entered into between, among others, Perfect Honour Limited ("Perfect Honour", a wholly owned subsidiary of the Company), an independent third party investor (the "Investor"), Rongzhong Group Limited ("Rongzhong") and Rongzhong Capital Holdings Limited ("Rongzhong Capital"), which together with Rongzhong were non-wholly owned subsidiaries of the Company, involving the introduction of the Investor to invest in Rongzhong and Rongzhong Capital (the "Introduction") for the purpose of providing additional working capital to both Rongzhong and Rongzhong Capital for further business operation development. The Introduction was completed on 26 October 2011 (the "Completion") and the total investment amount paid by the Investor pursuant to the Introduction was US\$154.8 million (equivalent to HK\$1,207.4 million) in which US\$39.15 million (equivalent to HK\$305.4 million) was paid to the Group. Details of the Introduction were disclosed in the circular dated 23 September 2011 (the "Circular") issued by the Company.

To facilitate the Introduction, the Group effected the pre-completion reorganisation which included, among others, the acquisition of Rongzhong Capital from Rongzhong by Perfect Honour and the non-controlling interests in proportion to their respective shareholding interests in Rongzhong prior to the Completion.

After the Completion:

- Rongzhong and its subsidiaries (collectively the "Disposal Group") became 40% owned by the Group. Its financial results and position were deconsolidated from, and then accounted for as a jointly controlled entity using equity method in, the consolidated financial statements of the Group.
- Rongzhong Capital and its subsidiaries (collectively the "Rongzhong Leasing Group" providing financial leasing service) became 50.055% owned by the Group and continued to be consolidated in the consolidated financial statements of the Group.

The operations regarding financing and loan guarantee services carried out by the Disposal Group have been treated as discontinued operations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

6. DISCONTINUED OPERATIONS (continued)

Profit for the period from discontinued operations

	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Revenue	128,685
Other income	3,434
Staff costs	(15,536)
Other operating expenses	(22,473)
Other finance costs	(4,727)
Share of loss of associates	(639)
Profit before taxation	88,744
Taxation	(23,366)
Profit for the period from discontinued operations	65,378
Profit for the period from discontinued operations attributable to:	
Owners of the Company	46,523
Non-controlling interests	18,855
	65,378

Profit for the period from discontinued operations included the following:

Interest on bank borrowings	4,727
Allowance for bad and doubtful debts	15,619
Amortisation of intangible assets	225
Depreciation of equipment	1,510
Gain on disposal of equipment	(2,283)
Interest income	(1,127)
Net foreign exchange gain	(17,788)
Operating lease charges in respect of properties	4,671

Cash flows from discontinued operations

	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Net cash used in operating activities	(157,065)
Net cash used in investing activities	(11,215)
Net cash from financing activities	59,426
Net cash outflows	(108,854)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

7. DIVIDENDS

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Dividends recognised as distribution and paid during the period:		
Final dividends of HK nil cents per share in respect of the year ended 31 March 2012 (2011: In respect of the year ended 31 March 2011 of HK2 cents per share)	–	55,211

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2012 (Nil for the six months ended 30 September 2011).

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	3,882	27,509
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,745,013	2,760,563
Effect of dilutive potential ordinary shares:		
Share options	2,814	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,747,827	2,760,563

The computation of diluted earnings per share for the prior period did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in decrease in loss per share from continuing operations for the prior period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

8. EARNINGS (LOSS) PER SHARE (continued)

From continuing operations

The calculation of basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Earnings (loss) figures are calculated as follows:		
Profit for the period attributable to owners of the Company	3,882	27,509
Less: Profit for the period from discontinued operations attributable to owners of the Company	–	(46,523)
Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	3,882	(19,014)

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations

As of 30 September 2011, basic and diluted earnings per share for the discontinued operations was HK1.69 cents per share based on the profit for the period from the discontinued operations attributable to owners of the Company of HK\$46,523,000 and the denominators detailed above for both basic and diluted earnings per share.

9. ADDITIONS IN EQUIPMENT

During the period, the Group incurred HK\$2,000 (HK\$3,617,000 for the six months ended 30 September 2011) to acquire equipment for its business use of which all (HK\$491,000 for the six months ended 30 September 2011) was for continuing operations and nil (HK\$3,126,000 for the six months ended 30 September 2011) was for discontinued operations.

In addition, the Group disposed of certain equipment relating to discontinued operations with an aggregate carrying amount of HK\$407,000 for cash proceeds of HK\$2,690,000 for the six months ended 30 September 2011, resulting in a gain on disposal of HK\$2,283,000 for the six months ended 30 September 2011.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

10. INTEREST IN A JOINTLY CONTROLLED ENTITY/LOANS TO A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Cost of investment in a jointly controlled entity, unlisted	1,051,440	1,051,440
Share of post acquisition profit, net of dividends received	198	16,056
	1,051,638	1,067,496

As at 30 September 2012, the loan to the jointly controlled entity of HK\$71,462,000 (31 March 2012: HK\$77,762,000) bearing a fixed interest rate of 10% per annum was unsecured and expected to be repaid within one year while the remaining loans of HK\$404,431,000 (31 March 2012: HK\$420,481,000) and HK\$173,272,000 (31 March 2012: HK\$173,272,000) bearing a fixed interest rate of 5% per annum, which was reduced from 10% per annum on 26 October 2011 pursuant to the terms of the Introduction with details disclosed in the Circular, and 3% per annum, respectively, were unsecured and not expected to be repaid within one year. With respect to the loan of HK\$404,431,000, the carrying amount was written down by HK\$39,506,000 on 30 September 2012 as a result of the change of expected repayment date.

As at 30 September 2012, the amount due from a jointly controlled entity was HK\$404,000 (31 March 2012: HK\$542,000) which was unsecured, interest free and repayable within one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

11. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

The Group provides financial leasing service in China.

	Minimum lease payments		Present value of minimum lease payments	
	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Finance leases receivable comprise:				
Within one year	714,940	634,104	614,469	525,662
In more than one year but not more than five years	793,908	755,244	732,376	689,796
	1,508,848	1,389,348	1,346,845	1,215,458
Less: Unearned finance income	(162,003)	(173,890)		
Present value of minimum lease payment	1,346,845	1,215,458		
Analysed for reporting purposes as:				
Current assets			614,469	525,662
Non-current assets			732,376	689,796
			1,346,845	1,215,458

The Group's finance leases receivable are denominated in RMB which is the functional currency of the relevant group entity.

Finance leases receivable are mainly secured by leased assets, customers' deposits and leased assets repurchase arrangement where applicable. The Group is not permitted to sell or repledge the leased assets in the absence of default by lessees. There was no unguaranteed residual value of leased assets (31 March 2012: nil). The customers' deposits of HK\$293,830,000 (31 March 2012: HK\$226,193,000) were repayable by end of lease period. There was no contingent rent arrangement that needed to be recognised in both periods.

12. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the financial leasing business in China.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

13. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of HK\$226,728,000 (HK\$410,139,000 for the six months ended 30 September 2011) and repaid bank borrowings of HK\$202,754,000 (HK\$87,647,000 for the six months ended 30 September 2011). As at 30 September 2012, the Group's bank borrowings of HK\$680,548,000 (31 March 2012: HK\$796,389,000) were variable-rate borrowings which carry annual interest at the range of the rate of 100% to 130% (31 March 2012: 100% to 120%) of the rate offered by the People's Bank of China ("PBOC"). The remaining balance of HK\$139,815,000 was fixed-rate borrowings which carry annual interest at the rate of 6.40% to 6.65% per annum. The bank borrowings are used to finance the operations of the Group.

The Group's bank borrowings of RMB629,494,000 (31 March 2012: RMB580,277,000) equivalent to approximately HK\$777,153,000 (31 March 2012: HK\$716,391,000) are secured by charges over certain finance leases receivable of the Group with an aggregate carrying value of HK\$964,617,000 (31 March 2012: HK\$851,725,000). The remaining balance of RMB35,000,000 (31 March 2012: RMB64,798,000) equivalent to HK\$43,210,000 (31 March 2012: HK\$79,998,000) is unsecured. These unsecured bank borrowings were obtained for certain financial leasing service transactions and the relevant customers of these transactions had given a guarantee to the bank for the granting of these bank borrowings in full.

14. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS

	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Current		
Call option	5,901	5,583
Non-current		
Provision for share subscription	277,879	298,922
Estimated liability	15,706	14,901
Performance target	—	—
	293,585	313,823
Total	299,486	319,406

As a result of the Introduction, the Group, on 26 October 2011, entered into two shareholders' agreements pursuant to which the following financial instruments in relation to the Group were issued. Definitions of the capitalised terms and other details are set forth in the Circular.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

14. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

Call option

Pursuant to the terms of the shareholders' agreements, a call option (the "Call Option") was granted to Mr. Xie Xiao Qing ("Mr. Xie"), an executive director of the Company, to purchase 342,500 shares of Rongzhong from Perfect Honour before completion of a proposed event, but in any event no later than 31 December 2015, at a price per share equal to (I) the price per share of Rongzhong under the Xie's S&P agreement plus (II) an interest of 6% per annum, compounded annually, on the price per share of Rongzhong under the Xie's S&P agreement from 26 October 2011 to the exercise date.

As at 30 September 2012, the fair value of the Call Option was derived at after taking into consideration the expected completion date of a proposed event, the underlying business value of Rongzhong and the adoption of the Black-Scholes model with the following details.

Date of valuation	30.9.2012	31.3.2012
Fair value at measurement dates (HK\$)	5,901,000	5,583,000
Exercise price (HK\$)	79.66	70.90
Expected volatility	36.431%	40.129%
Expected dividends	–	–
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.253%	0.167%

Provision for share subscription

Pursuant to the terms of the shareholders' agreements, Perfect Honour has undertaken to, subject to the happening of any one of the two triggering events as set forth in the Circular, subscribe additional shares of Rongzhong at a subscription price of HK\$315,240,000 (the "Share Subscription").

As at 30 September 2012, the fair value of the provision for the Share Subscription was measured based on the discounted cash flow method with the following details:

Date of valuation	30.9.2012	31.3.2012
Fair value at measurement dates (HK\$)	277,879,000	298,922,000
Expected date of a triggering event to occur	31.12.2015	31.12.2013
Subscription price (HK\$)	315,240,000	315,240,000
Discount rate (prevailing market lending rate in Hong Kong)	4.694%	4.344%

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

14. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

Estimated liability

Pursuant to the terms of the shareholders' agreements, the Investor may, subject to the happening of a triggering event as set forth in the Circular by 31 December 2015, request Perfect Honour and the non-controlling interests either (I) to immediately fulfill their respective obligations for the Share Subscription; or (II) at their sole and absolute discretion jointly elect to either purchase or procure Rongzhong and/or Rongzhong Capital to redeem all their respective shares of Rongzhong and/or Rongzhong Capital owned by the Investor resulting from the Introduction at a price equal to the Investor's investment cost plus the higher of (a) 12% on such investment cost and (b) the undistributed profits of Rongzhong and Rongzhong Capital attributable to the Investor, and, in the case of redemption of shares of Rongzhong, minus the consideration paid, if any, by Mr. Xie to the Investor as a result of the exercise of a call option granted by the Investor to Mr. Xie under the shareholders' agreements.

As at 30 September 2012, the fair value of the estimated liability attributable to the Group with respect to (II)(a) was measured based on the discounted cash flow method with the following details:

Date of valuation	30.9.2012	31.3.2012
Fair value at measurement dates (HK\$)	15,706,000	14,901,000
Probability of the triggering event to occur	20%	20%
Time to extinguishment of the estimated liability	3.5 years	4 years
Investment return to the Investor (HK\$)	102,528,000	102,528,000
Discount rate (Note)	7.841%	8.283%

Note: The discount rate is the sum of risk-free interest rate, credit spread, country risk premium and liquidity risk premium as at the date of valuation.

Performance target

Pursuant to the terms of the shareholders' agreements, the Investor may, subject to the happening of a triggering event on the operating results of the Disposal Group for the year ending 31 March 2013, request Perfect Honour and the non-controlling interests to procure Rongzhong and/or Rongzhong Capital to redeem all their respective shares of Rongzhong and/or Rongzhong Capital owned by the Investor resulting from the Introduction at a price equal to the Investor's investment cost plus an interest of 30% per annum, compounded annually, on the Investor's investment cost from 26 October 2011 to the date of such redemption, and, in the case of redemption of shares of Rongzhong, minus the consideration paid, if any, by Mr. Xie to the Investor as a result of the exercise of a call option granted by the Investor to Mr. Xie under the shareholders' agreements.

As at 30 September 2012, the management of the Group anticipated that, based on the expected business operation level of the Disposal Group, the probability of the triggering event to happen for the year ending 31 March 2013 would be low. Accordingly, no liability was recognised for the year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

15. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As at 30 September 2012, 68,400,000 (31 March 2012: 68,400,000) preference shares were in issue.

Pursuant to the terms and conditions of the preference shares, the preference shares may be redeemed by the holders of the preference shares at any time subsequent to 50 years after the date of issue on 18 September 2001 at a redemption value of HK\$10.00 per preference share. The preference shares carry no right to dividend distributions to the holders. The preference shares were convertible until 17 September 2004 and the conversion rights attached to the preference shares lapsed with no conversion then.

The liability component of the preference shares is carried at amortised cost based on an effective interest rate of 13.97% per annum.

16. EQUITY SETTLED SHARE-BASED TRANSACTIONS

A share option scheme was adopted by the Company on 18 September 2002 (the "2002 Share Option Scheme") with amendments made on 29 August 2003 to give clarity to it. Upon a new share option scheme of the Company came into effect on 31 August 2012, the 2002 Share Option Scheme was terminated and no further share options will be granted thereunder, but the provisions of the 2002 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of the share options (to the extent not already exercised) granted prior to its termination.

The Company has a share option scheme for eligible directors of the Company and eligible employees of the Group and other participants. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 April 2012 and 30 September 2012	260,000,000

During the period, no share options were granted, exercised, or allowed to lapse.

During the period, the Group recognised the total expense of HK\$3,403,000 (HK\$3,550,000 for the six months ended 30 September 2011) relating to continuing operations in relation to share options granted by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

17. OPERATING LEASE COMMITMENTS

As at 30 September 2012, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

As lessee

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease upon expiry when all terms are re-negotiated.

	30.9.2012 HK\$'000 (Unaudited)	31.3.2012 HK\$'000 (Audited)
Within one year	1,661	2,677
After one year but within five years	–	322
	1,661	2,999

18. CONTINGENT LIABILITIES

As at 31 March 2012, the Company had given a guarantee to a bank for the granting of a borrowing of not more than RMB100,000,000 equivalent to HK\$123,457,000, which was fully utilised as at 31 March 2012 to a jointly controlled entity of the Group. The guarantee provided by the Company was 51% of all sums payable by the borrower. During the period, the borrowing was fully repaid and the guarantee was released.

19. RELATED PARTY TRANSACTIONS

Save as disclosed in the condensed consolidated financial statements, the Group had the following transactions with related parties included in results from continuing operations during both periods.

(a) Key management personnel remuneration

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Short-term employee benefits	3,741	3,030
Post-employment benefits	28	24
Share-based payment	3,194	3,222
	6,963	6,276

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

19. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	1.4.2012 to 30.9.2012 HK\$'000 (Unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (Unaudited)
Loan interest income received from a jointly controlled entity	29,775	–
Guarantee fee paid to a jointly controlled entity	(1,725)	–
Rental expense paid to a related company with common controlling shareholders	(1,107)	(1,107)

20. EVENT AFTER THE REPORTING PERIOD

In November 2012, the Group had successfully obtained an approval to establish a wholly foreign-owned small loan company, 鹽城市金榜科技小額貸款有限公司 (“Yancheng Goldbond”), with a registered capital of US\$30 million in Yancheng of Jiangsu. Yancheng Goldbond is a wholly owned subsidiary of the Group and authorised to offer financing service, loan guarantee service, direct venture investment and all other services as approved by the provincial government to all technology-focused SMEs within the city of Yancheng.

AUDIT COMMITTEE

The Audit Committee has been established by the Company to review and supervise the financial reporting process and the internal control procedures of the Group. It comprises all Independent Non-executive Directors of the Company. The Audit Committee has reviewed the interim results for the six months ended 30 September 2012 and the 2012/13 interim report.

INDEPENDENT REVIEW

The interim results for the Period are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's auditor, whose independent review report has been included in page 8 of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 30 September 2012, the Directors and chief executive of the Company ("Chief Executive") and their respective associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

Interests in ordinary shares of HK\$0.10 each ("Shares")/underlying Shares of the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares of the Company	share options of the Company	Approximate percentage of the issued Shares as at 30 September 2012
Mr. Wang Jun ("Mr. Wang")	Interest in controlled corporation	101,251,300 (Note 1)	–	–	3.69%
	Beneficial owner	–	–	25,000,000 (Note 2)	0.91%
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Interest in controlled corporation	855,808,725 (Note 1 on page 34)	–	–	31.18%
	Beneficial owner	–	–	25,000,000 (Note 2)	0.91%
	Beneficial owner	–	–	26,000,000 (Note 3)	0.95%
	Beneficial owner	–	–	26,000,000 (Note 4)	0.95%
Ms. Wong, Michelle Yat-ye (Ms. Michelle Wong)	Interest in controlled corporation	715,846,792 (Note 3 on page 34)	–	–	26.08%
	Beneficial owner	–	–	13,000,000 (Note 4)	0.47%
Mr. Ding Chung Keung ("Mr. Ding")	Beneficial owner	58,780,000	–	–	2.14%
	Beneficial owner	–	–	25,000,000 (Note 2)	0.91%
	Beneficial owner	–	–	26,000,000 (Note 3)	0.95%
	Beneficial owner	–	–	26,000,000 (Note 4)	0.95%

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS (continued)

Interests in Shares/underlying Shares of the Company (continued)

Name of Director	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Approximate percentage of the issued Shares as at 30 September 2012
Mr. Kee Wah Sze ("Mr. Kee")	Beneficial owner	30,000,000	–	1.09%
	Beneficial owner	–	1,500,000 <i>(Note 4)</i>	0.05%
Mr. Xie Xiao Qing ("Mr. Xie")	Beneficial owner	1,900,000	–	0.07%
	Beneficial owner	–	16,000,000 <i>(Note 5)</i>	0.58%
Mr. Melvin Jitsumi Shiraki ("Mr. Shiraki")	Beneficial owner	5,540,000	–	0.20%
	Beneficial owner	–	1,500,000 <i>(Note 4)</i>	0.05%
Mr. Ma Ho Fai SBS JP ("Mr. Ma")	Beneficial owner	1,200,000	–	0.04%
	Beneficial owner	–	1,500,000 <i>(Note 4)</i>	0.05%
Mr. Cheng Yuk Wo ("Mr. Cheng")	Beneficial owner	–	1,600,000 <i>(Note 6)</i>	0.06%
	Beneficial owner	–	2,600,000 <i>(Note 4)</i>	0.09%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS (continued)**Interests in ordinary shares of the associated corporation**

Name of Director	Capacity	Name of associated corporation	Number of shares	Approximate percentage of the issued shares of such associated corporation
Mr. Xie	Beneficial owner	Rongzhong	685,000 <i>(Note 7)</i>	2%
	Interest in controlled corporation	Rongzhong	4,257,724 <i>(Note 8)</i>	12.42%
	Interest in controlled corporation	Rongzhong Capital	13,402 <i>(Note 9)</i>	13.40%

Notes:

- These Shares were held by Canasia Profits Corporation (which was wholly-owned by Mr. Wang).
- On 17 August 2007, each of Mr. Wang, Mr. Wong and Mr. Ding was granted 25,000,000 options under the share option scheme of the Company (the "Share Option Scheme") to subscribe for 25,000,000 Shares respectively, exercisable at a price of HK\$1.014 per Share during the period from 17 August 2010 to 16 August 2017.
- On 13 October 2009, each of Mr. Wong and Mr. Ding was granted 26,000,000 options under the Share Option Scheme to subscribe for 26,000,000 Shares respectively, exercisable at a price of HK\$0.50 per Share during the period from 13 October 2012 to 12 October 2019.
- On 1 February 2011, such number of share options were granted to him/her under the Share Option Scheme, exercisable at a price of HK\$0.410 per Share during the period from 1 February 2014 to 31 January 2021.
- On 29 March 2007, Mr. Xie was granted 16,000,000 options under the Share Option Scheme to subscribe for 16,000,000 Shares, exercisable at a price of HK\$0.256 per Share during the period from 29 March 2010 to 28 March 2017.
- On 23 May 2008, Mr. Cheng was granted 1,600,000 options under the Share Option Scheme to subscribe for 1,600,000 Shares, exercisable at a price of HK\$0.692 per Share during the period from 23 May 2011 to 22 May 2018.
- These shares were subject to a call option granted to Mr. Xie pursuant to a shareholders' agreement signed on Completion Date between the shareholders of Rongzhong (the "Shareholders' Agreement"). Details of which were disclosed in the Circular.
- These shares were held by Yong Hua International Limited ("Yonghua") (which was wholly-owned by Mr. Xie). Out of these shares, 124 shares would be further subscribed pursuant to the terms and conditions of the Shareholders' Agreement.
- These shares were held by Yonghua.

All the interests stated above represent long positions.

Save for those disclosed above, at 30 September 2012, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive or any its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code contained in the Listing Rules or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and the Chief Executive (including their spouses and children under the age of 18) had, at 30 September 2012, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 30 September 2012, the interests in Shares and/or underlying Shares of the Company of every person (other than the Directors and Chief Executive) as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Approximate percentage of the issued share as at 30 September 2012
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Interest in controlled corporation	855,808,725 <i>(Note 1)</i>	–	31.18%
	Interest of spouse	–	77,000,000 <i>(Note 2)</i>	2.81%
Allied Luck Trading Limited ("Allied Luck")	Beneficial owner	855,808,725 <i>(Note 1)</i>	–	31.18%
Kwok, Gareth Wing-Sien ("Mr. Kwok")	Interest of spouse	715,846,792 <i>(Note 3)</i>	13,000,000 <i>(Note 4)</i>	26.55%
Ace Solomon Investments Limited ("Ace Solomon")	Beneficial owner	715,846,792 <i>(Note 3)</i>	–	26.08%
Aceyork Investment Limited ("Aceyork")	Interest in controlled corporation	715,846,792 <i>(Note 3)</i>	–	26.08%
Allied Golden Investment Limited ("Allied Golden")	Interest in controlled corporation	715,846,792 <i>(Note 3)</i>	–	26.08%
Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong")	Interest in controlled corporation	715,846,792 <i>(Note 3)</i>	–	26.08%

Notes:

- These Shares were held by Allied Luck which in turn owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong, the spouse of Mr. Wong. As such, each of Mr. Wong and Mrs. Wong was respectively taken to have an interest in such Shares by virtue of their respective shareholding interests in Allied Luck.
- As disclosed in Notes 2, 3 and 4 on page 33 of this report, Mr. Wong was granted a total of 77,000,000 share options to subscribe for 77,000,000 Shares. As such, Mrs. Wong was taken to have such interest in the underlying Shares under the provisions of the SFO.
- These Shares were held by Ace Solomon, which was owned as to 50% by Aceyork (a company wholly-owned by Ms. Michelle Wong) and as to 50% by Allied Golden (a company wholly-owned by Miss Jacqueline Wong). As such, each of Aceyork, Allied Golden, Ms. Michelle Wong, Mr. Kwok (the spouse of Ms. Michelle Wong) and Miss Jacqueline Wong was respectively deemed to be interested in all these Shares.
- As disclosed in Note 4 on page 33, Ms. Michelle Wong was granted 13,000,000 share options to subscribe for 13,000,000 Shares. As such, Mr. Kwok was taken to have such interest in the underlying Shares under the SFO.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

All the interests stated above represent long positions.

Save for those disclosed above, at 30 September 2012, the Company had not been notified of any persons who had interests or short position in Shares and underlying Shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 18 September 2002 (the “2002 Share Option Scheme”) with amendments made on 29 August 2003 to give clarity to it. The key terms of the 2002 Share Option Scheme had been summarised in our 2011/12 Annual Report despatched in July this year. Upon a new share option scheme of the Company came into effect on 31 August 2012, the 2002 Share Option Scheme was terminated and no further share options will be granted thereunder, but the provisions of the 2002 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of the share options (to the extent not already exercised) granted prior to its termination.

Details of the movements of share options under the 2002 Share Option Scheme during the Period were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercisable period (Note 2)	Outstanding at 31/3/12	Outstanding at 30/9/12
Directors					
Mr. Wang	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
Mr. Wong	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	26,000,000
Mr. Ding	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	26,000,000
	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	26,000,000
Ms. Michelle Wong	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	13,000,000	13,000,000
Mr. Kee	1/2/2011	0.410	1/2/2014 – 31/1/2021	1,500,000	1,500,000
Mr. Xie	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	16,000,000
Mr. Ma	1/2/2011	0.410	1/2/2014 – 31/1/2021	1,500,000	1,500,000
Mr. Shiraki	1/2/2011	0.410	1/2/2014 – 31/1/2021	1,500,000	1,500,000
Mr. Cheng	23/5/2008	0.692	23/5/2011 – 22/5/2018	1,600,000	1,600,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	2,600,000	2,600,000
Eligible employees (in aggregate)					
	17/8/2007	1.014	17/8/2010 – 16/8/2017	17,300,000	17,300,000
	23/5/2008	0.692	23/5/2011 – 22/5/2018	3,500,000	3,500,000
	31/12/2008	0.345	31/12/2011 – 30/12/2018	6,000,000	6,000,000
	13/3/2009	0.360	13/9/2011 – 12/3/2019	1,000,000	1,000,000
	13/3/2009	0.360	13/3/2012 – 12/3/2019	2,200,000	2,200,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	250,000	250,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	13,050,000	13,050,000
				<u>260,000,000</u>	<u>260,000,000</u>

Notes:

- No share options were granted, exercised, lapsed or cancelled during the Period; and
- The vesting period of the above share options is from the date of grant until the commencement of the exercisable period.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of changes
Independent non-executive Director	
Mr. Ng Chi Keung MH	<ul style="list-style-type: none">– Appointed on 30 June 2012 the vice president of Diabetes Hongkong.– Appointed on 1 July 2012 a director of Nano and Advanced Materials Institute Limited.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Listing Rules during the Period, except for the following deviation:

Pursuant to Code E.1.2 of the CG Code, the Chairman should attend the annual general meeting of the Company ("AGM"). Mr. Wang, the Company's Chairman, was unable to attend the AGM held on 31 August 2012 due to other prior business engagement.

Pursuant to Code A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Mr. Ma, the independent non-executive Director, was unable to attend the AGM held on 31 August 2012 due to other prior business engagement.

CODE FOR 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 to the Listing Rules as its own code of conduct regarding securities transaction by the Directors. Having made specific enquiry, all Directors confirmed that they fully complied with the Model Code throughout the Period.