



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

Stock Code: 00172

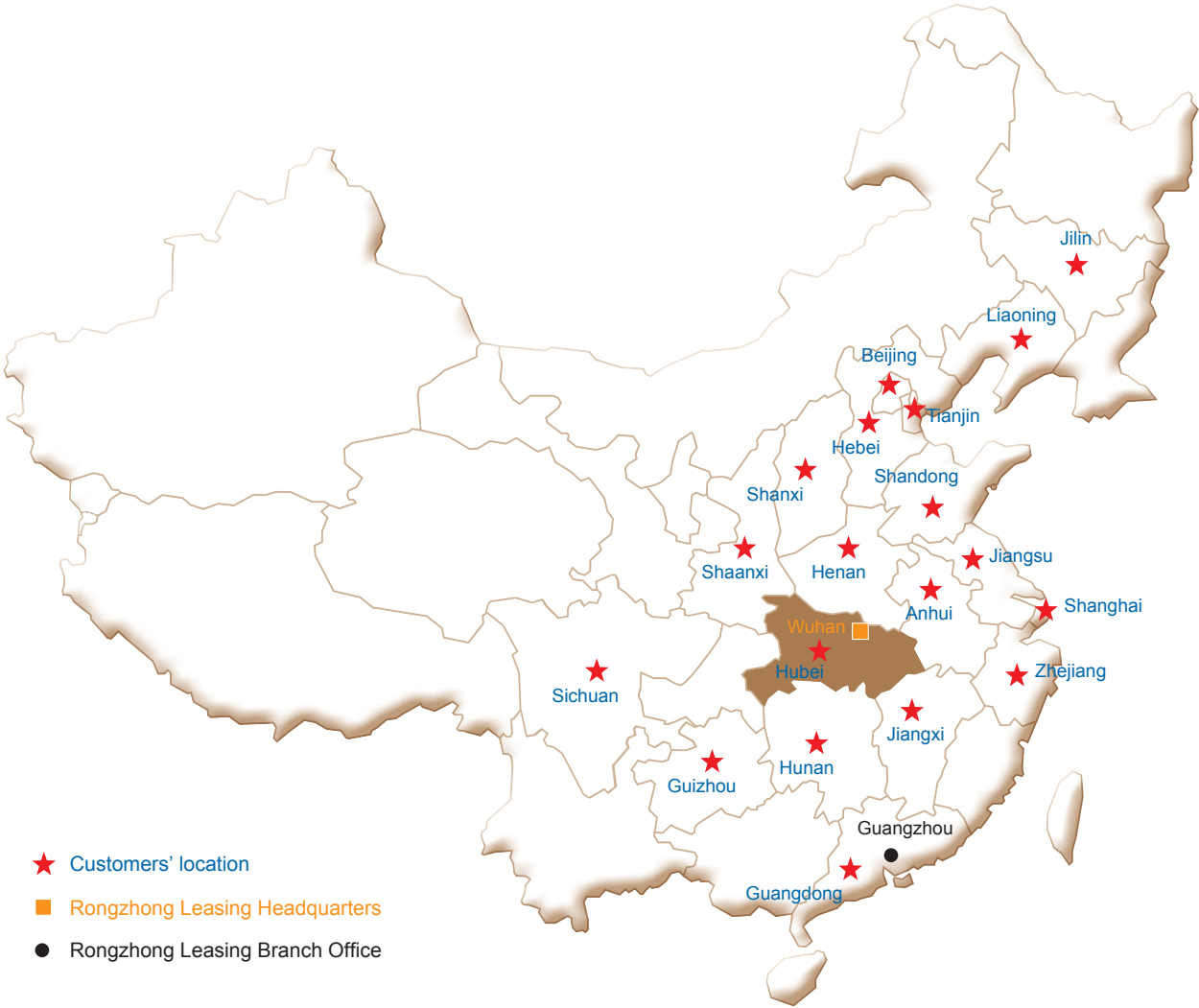
ANNUAL REPORT 2011/12

金榜

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EXTENSIVE NETWORK IN CHINA



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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Ng Chi Keung (*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

Units 1901-06, 19/F
 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

Iu, Lai & Li

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
 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/>

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2012 HK\$ Million	2011 HK\$ Million	2010 HK\$ Million	2009 HK\$ Million	2008 HK\$ Million
Revenue	265.2	286.8	306.1	351.1	229.4
Profit before taxation	*555.7	131.2	166.1	211.5	193.8
Taxation	(33.3)	(39.8)	(32.3)	(45.1)	(12.4)
Profit for the year	522.4	91.4	133.8	166.4	181.4
Other comprehensive income	55.3	79.4	–	14.2	37.5
Total comprehensive income for the year	577.7	170.8	133.8	180.6	218.9
Profit for the year attributable to:					
Owners of the Company	500.8	64.7	118.6	149.4	180.2
Non-controlling interests	21.6	26.7	15.2	17.0	1.2
	522.4	91.4	133.8	166.4	181.4
Total comprehensive income attributable to:					
Owners of the Company	550.0	137.1	118.6	161.5	209.9
Non-controlling interests	27.7	33.7	15.2	19.1	9.0
	577.7	170.8	133.8	180.6	218.9
Dividend per Share (HK cents)	–	2	2	4	–

* Included a gain on disposal of subsidiaries, net of tax, of HK\$501.6 million.

ASSETS AND LIABILITIES

	As at 31 March				
	2012 HK\$ Million	2011 HK\$ Million	2010 HK\$ Million	2009 HK\$ Million	2008 HK\$ Million
Total assets	3,593.1	2,573.4	2,087.2	1,809.5	1,512.5
Total liabilities	(1,414.9)	(958.9)	(600.4)	(442.0)	(398.6)
Non-controlling interests	(187.2)	(154.0)	(121.5)	(104.0)	(77.0)
Equity attributable to owners of the Company	1,991.0	1,460.5	1,365.3	1,263.5	1,036.9
Net asset value per Share (HK cents)	72.5	52.9	49.7	47.3	39.9

Mr. Wang Jun, aged 71, is the Chairman and executive Director of the Company since April 2007. He was the former Chairman of CITIC Group in Beijing. Mr. Wang graduated from Harbin Engineering Institute in the People's Republic of China ("China").

Mr. Wang is currently a chairman of CITIC 21CN Company Limited and an independent non-executive director of China Communications Services Corporation Limited, all being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Wong Yu Lung, Charles, aged 62, is the Deputy Chairman of the Company. He joined the Company in January 2003 and is responsible for corporate strategic planning of the Group. Mr. Wong has over thirty-three years of worldwide experience in the procurement and logistics of consumer products. He is an international entrepreneur of repute and was the president of Pacific Resources Export Limited ("Pacific Resources"). Pacific Resources had been the worldwide exclusive procurement agent for Wal-mart for twelve years until 2002, with annual turnover reaching approximately US\$6.5 billion. Throughout his years in operating Pacific Resources and twenty-nine branch offices spreading over the world including the United States of America ("U.S.A."), South America, Central America, Indian Subcontinent, Middle East, Asia and Europe, Mr. Wong has accumulated valuable experience and profound knowledge, in particular, market mechanism and demand, manufacturing industry, financial market, capital investment and asset management.

Mr. Wong is the father of Ms. Wong, Michelle Yatyee, an executive Director of the Company.

As at the date of this report, Mr. Wong is also a director of Ace Solomon Investments Limited, Aceyork Investment Limited, Allied Golden Investment Limited and Allied Luck Trading Limited, all being companies which had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of the Securities and Futures Ordinance ("substantial shareholders' discloseable interests").

Mr. Ding Chung Keung, aged 42, is the Chief Executive Officer of the Company. He joined the Company in January 2004 and oversees all business operations of the Group. He is also a member of the Company's nomination committee. Mr. Ding is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has been in the investment, audit and finance industries for more than twenty years. Mr. Ding holds a bachelor degree in business administration from The Chinese University of Hong Kong.

Prior to joining the Company, Mr. Ding was the managing director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) and Capital Estate Limited, the issued shares of all the aforesaid companies are listed on the Main Board of the Stock Exchange. He is presently an independent non-executive director of 21 Holdings Limited, a company listed on the Stock Exchange.

Mr. Kee Wah Sze, aged 64, an executive Director since January 2003, is responsible for legal aspect of the business of the Group. He is also a member of the Company's remuneration committee. Mr. Kee is a practicing solicitor in Hong Kong and the senior partner of Michael Cheuk, Wong & Kee and also a notary public and a China-Appointed Attesting Officer in Hong Kong. He has over twenty-five years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and China.

Currently, Mr. Kee is an independent non-executive director of Shougang Fushan Resources Group Limited (formerly known as Fushan International Energy Group Limited) and Theme International Holdings Limited, all being companies listed on the Stock Exchange.

BOARD OF DIRECTORS

Mr. Xie Xiao Qing, aged 51, has been an executive Director since April 2007. He is also the director of Rongzhong Group Limited (“Rongzhong”), a jointly controlled entity of the Group, and most of its subsidiaries. He supervises the businesses of the group of Rongzhong. Mr. Xie is the chairman of the Wuhan Pawn Association, a guest professor of the Management Technology College of the Hubei University of Economy, an arbitrator of the Wuhan Arbitration Commission and a member of Hubei Provincial People’s Congress.

Ms. Wong, Michelle Yatyee, aged 31, an executive Director since February 2007. She graduated from University of Southern California, California, the United States of America with a bachelor degree of arts in political science and holds a juris doctorate in law from Whittier Law School, California, the U.S.A.

Ms. Wong is the daughter of Mr. Wong, the Deputy Chairman of the Company.

As at the date of this report, Ms. Wong is also a director of Ace Solomon Investment Limited, Aceyork Investment Limited and Allied Golden Investment Limited, all being companies which had substantial shareholders’ discloseable interests.

Mr. Melvin Jitsumi Shiraki, aged 66, joined the Company as an independent non-executive Director in September 2004 and has been re-designated as an executive Director with effect from 1 January 2012. He is a business commerce and trade industry professional with more than thirty-three years of experience in the international arena. He has successfully established buying agent offices in various Asian countries, advancing the growth of various U.S.A. retail import programs, negotiating contracts and supervising administrative operations and business services.

Mr. Ma Ho Fai SBS JP, aged 60, joined the Company as an independent non-executive Director in February 2003. He is a member of both the Company’s audit committee and the remuneration committee. Mr. Ma is a partner of Woo, Kwan, Lee & Lo and was admitted as a solicitor in Hong Kong, England and Wales, Australian Capital Territory and Singapore. He is also a China-Appointed Attesting Officer in Hong Kong. In addition, he is a Deputy to the 11th National People’s Congress of China and a member of the 10th Yunnan Provincial Committee of the Chinese People Political Consultative Conference.

Mr. Cheng Yuk Wo, aged 51, joined the Company as an independent non-executive Director in November 2007. He is also the Chairman of both the Company’s audit committee and the remuneration committee and a member of the Company’s nomination committee. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honour) degree in Accounting.

Mr. Cheng is currently an executive director of 21 Holdings Limited, an independent non-executive director of CSI Properties Limited, C.P. Lotus Corporation (formerly known as Chia Tai Enterprises International Limited), Chong Hing Bank Limited, HKC (Holdings) Limited, South China Land Limited, CPMC Holdings Limited, Imagi International Holdings Limited and Top Spring International Holdings Limited, all being companies listed on the Stock Exchange.

Mr. Ng Chi Keung, aged 49, was appointed as an independent non-executive Director on 2 December 2011. He is the Chairman of the Company’s nomination committee and a member of the Company’s Audit Committee. Mr. Ng holds a Bachelor Degree in Social Sciences from The University of Hong Kong and an Executive Master Degree in Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Secretaries and Administrators.

Prior to joining the Company, Mr. Ng had been working in an international accounting firm for 26 years, during which he was admitted as a partner and was in the position of acting as the deputy managing partner for the National Audit function of their practice in China prior to his retirement. Mr. Ng was a past president of the Association of Chartered Certified Accountants and is currently serving as the Deputy Chairman of the Hong Kong Productivity Council.

Goldbond Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) engage principally in the provision of non-bank financial services to high quality small-to-medium enterprises (“SMEs”) and individuals in China. Through more than 20 operating offices located in Chongqing, Guangdong, Hubei, Hunan, Jiangsu, Sichuan and Zhejiang, the Group mainly offers financial leasing, financing and loan guarantee services to accommodate different financial needs of its customers across the country. During the financial year ended 31 March 2012 (the “Year”), the Group had marked an important milestone by completing the introduction of a strategic investor, Hony Capital Fund 2008, L.P. (“Hony”), to Rongzhong Group Limited (“Rongzhong”), the principal platform of the Group to provide various licensed financial services in China and owned as to 71% by the Group prior to the introduction (the “Introduction”).

Introduction of Strategic Investor – Hony

On 29 August 2011, the Company announced the conditional Introduction for the enhancement of the capital base of Rongzhong to further develop its business operation in China. The total investment amount to be made by Hony was US\$154.8 million, representing:

- (1) US\$90.0 million for subscription of new shares of Rongzhong;
- (2) US\$20.0 million for subscription of new shares of Rongzhong Capital Holdings Limited (“Rongzhong Capital”), a wholly owned subsidiary of Rongzhong prior to the completion of the Introduction; and
- (3) US\$39.2 million and US\$5.6 million for acquisition of existing shares of Rongzhong owned by the Group and Yong Hua International Limited (“Yonghua”), a company wholly owned by a director of the Company, respectively.

To facilitate the Introduction, Rongzhong and its subsidiaries (collectively the “Rongzhong Group”) completed a reorganisation (the “Reorganisation”) immediately prior to the completion of the Introduction which involved, among others, the spinoff of Rongzhong Capital and its subsidiaries (collectively the “Rongzhong Leasing Group”), which engage principally in the provision of financial leasing and related services in China, from the Rongzhong Group (the “New Rongzhong Group”), which then mainly focuses on the business of loan guarantee, financing, financial consulting and management services in China.

The completion of the Introduction (the “Completion”) took place on 26 October 2011 (the “Completion Date”). Since then, Rongzhong Capital is owned as to 50.055% by the Group, 29.5% by Hony and an aggregate of 20.445% by companies controlled by the directors of the Company or their associates and continues to be a subsidiary of the Group. Rongzhong is then owned as to 40% by the Group, 40% by Hony and an aggregate of 20% by companies controlled by the directors of the Company or their associates and is now a jointly controlled entity of the Group.

On the Completion Date, the shareholders of Rongzhong and Rongzhong Capital entered into two shareholders’ agreements pursuant to which the Group has conditionally agreed to, among others:

- (1) grant a revolving loan facility of not more than RMB150 million (equivalent to HK\$185.2 million) by the Rongzhong Leasing Group to the New Rongzhong Group whereas the New Rongzhong Group would provide guarantee service to the Rongzhong Leasing Group (the “Rongzhong Loan and Guarantee Arrangement”);
- (2) extend the repayment date and reduce the interest charge of an outstanding loan principal of HK\$444 million (the “Special Loan”) under the current revolving loan facility offered by the Group to Rongzhong;
- (3) subscribe for additional shares of Rongzhong at a consideration of HK\$315.2 million; and

- (4) allow Mr. Xie Xiao Qing, the director of the Company, to have the right, but not the obligation, to purchase, at a pre-determined price, a maximum of 342,500 shares of Rongzhong, representing about 1% equity interest of Rongzhong immediately after the Completion, from the Group.

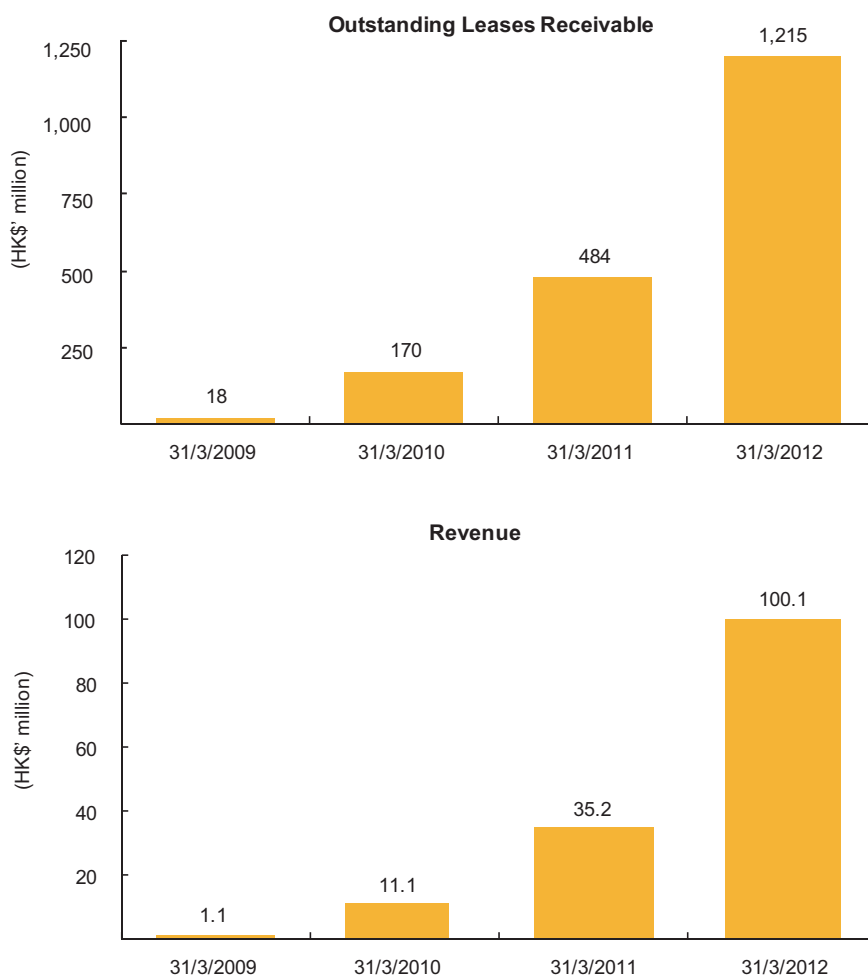
Resulting from the Completion, the Group recognised a gain on disposal, net of tax, of HK\$501.6 million. Other details of the Introduction were set out in the Company's circular dated 23 September 2011 to its shareholders (the "Circular").

Financial Leasing

After the Completion, the financial leasing service remains as a core business of the Group.

Through Rongzhong International Financial Leasing Co., Ltd. ("Rongzhong Leasing"), a wholly owned subsidiary of Rongzhong Capital, the Group offers medium to long term financial leasing and related services to SMEs in China. 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 current customer base spans over various provinces and cities, including: Anhui, Beijing, Guangdong, Guizhou, Hebei, Henan, Hubei, Hunan, Jiangsu, Jiangxi, Jilin, Liaoning, Shaanxi, Shandong, Shanghai, Shanxi, Sichuan, Tianjin and Zhejiang. In order to better serve the existing customers and further develop the financial leasing business in the Southern China region, Rongzhong Leasing established a branch office in Guangzhou in March 2012.

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 31 March 2012 reached HK\$1,215.5 million (2011: HK\$484.2 million), representing an increase of 151% over the Year. This portfolio contributed a total revenue for the Year of HK\$100.1 million (2011: HK\$35.2 million), representing an increase of 184%. This remarkable performance was mainly resulted from 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 record of any 30 days overdue or non-performing assets as at 31 March 2012.

Being a scheduled move of the strategic business development plan, the third phase capital injection of US\$19.5 million to Rongzhong Leasing was completed by the Group in December 2011. As at 31 March 2012, the total registered capital of Rongzhong Leasing amounted to US\$39.5 million. The Group will continue to monitor the capital adequacy of Rongzhong Leasing for continuous and healthy business growth. When opportunity arises, the Group will further inject necessary capital to support its development.

Given the strong market demand of financial leasing service in China, the superb business network and the industry relationship of the Group, Rongzhong Leasing will continue expanding its services to all quality customers in China and is now the major and stable income source of the Group.

Financing

Prior to the Completion, the Group, mainly through the platform of the Rongzhong Group, had provided to customers various kinds of financing solutions, including bridging loans, entrusted loans, project financing loans and other financing consultancy services. Following the Completion and in accordance with the relevant accounting standards, the businesses carried out by the New Rongzhong Group were treated as discontinued by the Group on the Completion Date since it is no longer a subsidiary of the Group. Since then, the Group has accounted for, by the equity method, the net operating result of the New Rongzhong Group in proportion to the Group's equity interest (i.e. 40%) in the New Rongzhong Group.

As at 31 March 2012, the Group had three outstanding financing deals: (1) a revolving loan facility of HK\$900 million offered to Rongzhong by a wholly owned subsidiary of the Group (the "Rongzhong First Facility"); (2) a revolving loan facility of RMB150 million offered to Rongzhong by Rongzhong Capital under the Rongzhong Loan and Guarantee Arrangement (the "Rongzhong Second Facility") and (3) two term loans of an aggregate principal amount of RMB115 million for financing a property development project in Zhuhai by a wholly owned subsidiary of the Group (the "Zhuhai Loan").

Rongzhong First Facility

Since late 2004, the Group has continuously provided financing facilities to Rongzhong to support its business growth. The original terms of the Rongzhong First Facility were to make available a 3 years revolving loan facility of HK\$900 million bearing an interest rate of 10% per annum and repayable in full by May 2013. Subsequently on the Completion Date, a supplemental deed (the "Special Loan Supplemental Deed") was entered into to extend the repayment date of the Special Loan under the Rongzhong First Facility to the day falling 36 months after the Completion Date and reduce the interest rate of the Special Loan from 10% per annum to 5% per annum. Apart from these changes, the other major terms of the Rongzhong First Facility remain unchanged. As at 31 March 2012, the total carrying value of the Rongzhong First Facility was HK\$498.2 million (2011: HK\$627.0 million) and the total interest generated therefrom for the Year was HK\$59.5 million (2011: HK\$64.4 million) in which HK\$37.0 million (2011: HK\$64.4 million) related to the period prior to the Completion Date and was not recognised as revenue of the Group in accordance with applicable accounting standards.

Rongzhong Second Facility and Rongzhong Guarantee

Under the Rongzhong Loan and Guarantee Arrangement, on the Completion Date, Rongzhong Capital and Rongzhong entered into a loan and guarantee service agreement (the “Rongzhong Loan and Guarantee Agreement”) pursuant to which Rongzhong Capital has offered the New Rongzhong Group the Rongzhong Second Facility of up to RMB150 million for a maximum term of 2 years bearing an interest rate of 3% per annum whereas the New Rongzhong Group has also agreed to provide unlimited guarantee in favour of any financial institution as security for the grant of banking facilities by such financial institution to the Rongzhong Leasing Group for a maximum service period of 3 years with a charge of 1.5% per annum of the outstanding guaranteed amount from time to time (the “Rongzhong Guarantee”). Subsequently on 29 March 2012, Rongzhong Capital and Rongzhong entered into a supplemental deed (the “Rongzhong Guarantee Supplemental Deed”) pursuant to which the New Rongzhong Group has agreed to reduce the guarantee fee of 1.5% per annum to 0.5% per annum with effect from 1 January 2012. As at 31 March 2012, the total outstanding loan principal under the Rongzhong Second Facility was RMB140.4 million (equivalent to HK\$173.3 million) while the total outstanding loan principal guaranteed by Rongzhong was RMB499.0 million (equivalent to HK\$616.0 million). Pursuant to the terms of the Rongzhong Loan and Guarantee Agreement and the Rongzhong Guarantee Supplemental Deed, the total interest generated on this outstanding loan for the Year was HK\$2.3 million while the total guarantee fee charged for the Year was HK\$2.2 million.

Zhuhai Loan

As at 31 March 2012, the net receivable amount of the Zhuhai Loan was reduced to nil (2011: HK\$62.1 million). During the Year, since the borrowers have failed to settle the Zhuhai Loan in full by the agreed repayment dates, legal action has been taken against the borrower for debt recovery. Taking into account the uncertainty on the outcome of the legal action and the chance of realizing the equity interest of the property development project in Zhuhai, the only major asset known to be owned by the borrower, the Zhuhai Loan was considered to be fully impaired as at 31 March 2012. Accordingly, the Group did not recognize any income (2011: HK\$12.1 million) from the Zhuhai Loan but an impairment loss of HK\$60.8 million (2011: nil) for the Year. Although the Group recorded such impairment loss during the Year, this Zhuhai Loan project still provided an overall positive yield to the Group as a whole.

Loan Guarantee

Prior to the Completion, the Group, through the Rongzhong Group, had provided loan guarantee service, mainly on SME working capital loans, motor vehicle loans and real estate properties loans, to customers in seven cities of China, namely Changsha, Chengdu, Chongqing, Guangzhou, Hangzhou, Nanjing and Wuhan. Similar to the treatment of the financing business carried out by the New Rongzhong Group, the Group’s loan guarantee business was considered to be discontinued by the Group on the Completion Date. The Group would then account for, by the equity method, the net operating result of the New Rongzhong Group in proportion to its owned equity interest (i.e. 40%) from the Completion Date onwards.

New Rongzhong Group

The Group began its investment in the Rongzhong Group by the subscription of 40% shares of Rongzhong in late 2004 to commence the business of non-bank financial services in China. Since then, Rongzhong Group has developed into a large nationwide non-bank financial services provider in China. The Group’s investment in Rongzhong had also been increased to 71% by 2007. In order to implement another business expansion plan of the Rongzhong Group, the Group introduced Hony to Rongzhong as its strategic investor. The introduction of Hony was completed on the Completion Date and the Group’s investment in the New Rongzhong Group was reduced to 40%. Accordingly, the Group deconsolidated and then accounted for the New Rongzhong Group as an investment of the Group based on the equity method. As aforementioned, the Group’s business conducted by the New Rongzhong Group was considered to be discontinued by the Group on the Completion Date.

The New Rongzhong Group engages principally in the business of loan guarantee, financing, financial consulting and management services in China. The provision of loan guarantee service was the core business of the Rongzhong Group when the Group made its investment in late 2004. Subsequently in April 2006, the Rongzhong Group launched its first financing service in Wuhan. Over these years, the Rongzhong Group has extended its business services to cover customers located in the following municipality and provinces: Chongqing, Guangdong, Hubei, Hunan, Jiangsu, Sichuan and Zhejiang. It has developed strong and cohesive business relationship with numerous SMEs and more than 20 co-operating banks in China.

For the period up to the Completion Date, the Rongzhong Group generated a total revenue and a total operating profit with respect to the business of loan guarantee and financing services of HK\$140.3 million (2011: HK\$238.2 million) and HK\$70.7 million (2011: HK\$138.1 million), respectively, which were both classified as the discontinued operations of the Group for the Year. The total revenue mainly represented HK\$36.6 million (2011: HK\$57.3 million) from the loan guarantee business and HK\$103.7 million (2011: HK\$180.9 million) from the financing business. The drop of the total revenue and total operating profit for the Year was mainly due to the Introduction as the operating result of the loan guarantee and financing businesses carried out by the New Rongzhong Group since the Completion Date would not be consolidated by the Group.

After the Completion, the New Rongzhong Group kept growing its businesses and generated a total revenue of HK\$137.0 million, representing HK\$24.9 million from the loan guarantee business and HK\$112.1 million from the financing business, up to the year ended 31 March 2012. The total operating profit generated by the New Rongzhong Group since the Completion was HK\$40.1 million in which the Group shared, in proportion to its 40% equity interest, HK\$16.1 million accordingly. As at 31 March 2012, the New Rongzhong Group had gross outstanding advances to customers of RMB0.9 billion (2011: RMB0.9 billion), equivalent to HK\$1.1 billion (2011: HK\$1.0 billion), while its guarantee exposure was reduced further to RMB1.8 billion (2011: RMB2.7 billion), equivalent to HK\$2.2 billion (2011: HK\$3.3 billion), responding to the Group's long term strategy on the continuing credit risk management.

OUTLOOK

SMEs are the most dynamic business group in the Chinese economy. The exploration and innovation of SMEs will generate an enormous market power, thus providing huge room of development for financing, loan guarantee and financial leasing industries in the long run. With the long established brand identity and the all-round services in supporting the long-term growth of SMEs in China, the Group and the New Rongzhong Group are eager to carry out a comprehensive business expansion plan to capture this unique and enormous market potential and to enlarge their footprints in China. However, given the current unstable and uncertain global economic conditions resulting mainly from the sovereign debt crisis in the Eurozone and the weak economic growth in some developed countries, this expansion plan will be implemented with due care and caution.

On the other hand, the Group sees that the economic slump of some developed countries over the past decade has caused significant price adjustment of some high quality assets or properties of these countries while the quality of these assets or properties has remained during this period of time. These assets or properties may then turn out as attractive investment opportunities for the Group to develop a new business segment. Looking ahead, the Group will explore such investment opportunities around the world with an aim to diversify the business segments of the Group and create sustainable value to the shareholders of the Company.

During the Year, the Group reduced its investment in Rongzhong from 71% to 40% as a result of the introduction of Hony as a strategic investor to Rongzhong. After the Completion, the New Rongzhong Group became a jointly controlled entity of the Group. In accordance with the relevant accounting and reporting standards, the operating result of the New Rongzhong Group 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 consolidated statement of comprehensive income. The operating result with respect to the business of loan guarantee and financing services conducted by the Rongzhong Group prior to the Completion Date is also presented separately as "discontinued operations" in the Group's consolidated statement of comprehensive income.

Revenue

The Group generated a total revenue for the Year of HK\$265.2 million (2011: HK\$286.8 million). It mainly represented the revenue from the continuing financial leasing business of HK\$100.1 million (2011: HK\$35.2 million), the continuing financing business of HK\$24.8 million (2011: HK\$13.4 million) and the discontinued loan guarantee and financing businesses of the Rongzhong Group prior to the Completion of HK\$140.3 million (2011: HK\$238.2 million). Although the financial leasing business recorded a remarkable growth during the Year, the total revenue still dropped by about 8% because the revenue of the loan guarantee and financing businesses of the New Rongzhong Group was not consolidated by the Group after the Completion.

Results of Operations

The Group generated a total profit for the Year attributable to the owners of the Company of HK\$500.8 million (2011: HK\$64.7 million), representing an increase of about 675%. The increase was primarily contributed by the Introduction in which the Group recognised a gain on disposal, net of tax, of the New Rongzhong Group of HK\$501.6 million on the Completion Date. This gain was computed on the basis of, among others, (1) the consideration received; (2) the estimated fair value and the carrying value of the New Rongzhong Group on the Completion Date and (3) the impact of other terms and conditions as set forth in the Circular on the Completion Date.

Apart from this exceptional gain, the Group generated a total operating profit for the Year of HK\$20.8 million (2011: HK\$91.4 million), representing a decrease of about 77%. The Group presented this total operating result in the consolidated statement of comprehensive income by a loss from continuing operations of HK\$50.0 million (2011: HK\$46.7 million) and a profit from discontinued operations of HK\$70.7 million (2011: HK\$138.1 million). The decrease of the total operating profit was mainly due to the impairment loss of the Zhuhai Loan.

Included in the other operating expenses of continuing operations was a loss of exchange (non-cash expense) of HK\$23.4 million (2011: HK\$40.2 million) from the translation of non-Renminbi denominated net assets, mainly the outstanding amount of the Rongzhong First Facility and cash and cash equivalents, into Renminbi (the functional currency of the Group) due to the appreciation of Renminbi during the Year.

Total Comprehensive Income for the Year

By recognising the gain of exchange from the translation of all assets and liabilities from Renminbi to Hong Kong dollar (the presentation currency of the Group) of HK\$55.3 million (2011: HK\$79.4 million) in other comprehensive income, the Group generated the total comprehensive income for the Year attributable to the owners of the Company of HK\$550.0 million (2011: HK\$137.1 million), representing an increase of about 301%.

Dividend

The Board did not recommend the payment of dividend for the Year (2011: HK2 cents per share) since additional reserve was recommended for future expansion of both the financial leasing and financing businesses and for application of new lending licenses in China.

Financial Resources and Capital Structure

The Group always maintains healthy cash position and sufficient capital for business development. As at 31 March 2012, the aggregate sum of cash, bank balances and short term bank deposits amounted to HK\$591.2 million (2011: HK\$443.2 million). The working capital (current assets less current liabilities) and the total equity of the Group were HK\$671.9 million (2011: HK\$1,416.8 million) and HK\$2,178.3 million (2011: HK\$1,614.5 million) respectively.

All bank borrowings of the Group were granted by banks in China and are denominated in Renminbi bearing variable interest with reference to the rate offered by the People's Bank of China. As at 31 March 2012, the total bank borrowing of the Group was HK\$796.4 million (2011: HK\$502.6 million) which was solely (2011: HK\$383.6 million) for the development of the financial leasing business with a remarkable growth over the Year. The bank borrowing of HK\$372.7 million (2011: HK\$248.0 million) would be settled within one year while the remaining bank borrowing of HK\$423.7 million (2011: HK\$254.6 million) would be due after one year.

For bank borrowing relating to the financial leasing business, 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 Year. As at 31 March 2012, the current ratio (current assets/current liabilities) of the Group was 2.42 times (2011: 3.15 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 31 March 2012, the debt-to-equity ratio (total bank borrowing/total equity) of the Group was 36.6% (2011: 31.1%) while the net debt-to-equity ratio was 12.5% (2011: 11.2%) after considering the cash position maintained by the Group.

Charges on Group Assets

As at 31 March 2012, the Group had the following charges:

- (a) finance leases receivable of HK\$851.7 million (2011: HK\$252.6 million) and security deposits of HK\$19.4 million (2011: HK\$200.9 million) pledged to banks in China to secure the bank borrowings of the Group; and
- (b) the Group's indirect interest in a jointly controlled entity to secure the bank borrowing of another jointly controlled entity.

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

The Group had given a guarantee to a bank for the granting of a borrowing of not more than RMB100 million (2011: RMB100 million), equivalent to HK\$123.5 million (2011: HK\$119.0 million), which was fully utilised as at 31 March 2012, to a jointly controlled entity of the Group. The guarantee provided by the Group was 51% (2011: 71%) of all sums payable by the borrower. No financial liability in relation to this guarantee given by the Group has been recognised as, in the opinion of the directors of the Group, the fair value of this guarantee has never been significant.

Employees and Remuneration Policy

As at 31 March 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Recognising the importance of shareholders' transparency and accountability, the Directors of the Company (the "Board") believe that shareholders can enhance their benefits from good corporate governance.

Throughout the Year under review, the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the Year.

BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

Board Composition

As at the date of this report, the Board comprises ten members. Seven are Executive Directors and three are Independent Non-executive Directors. Their biographical details and respective relationships with other Directors of the Company are set out on pages 5 to 6 and whose respective interests in the Company, if any, are set out on pages 24 to 26 of this annual report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the Directors.

Appointment, Re-election and Removal of Directors

Pursuant to the Company's articles of association (the "Articles"), a person may be appointed as a member of the Board at any time either by the Shareholders in a general meeting or by the Board. In addition to the Articles, pursuant to Appendix 3 of the Listing Rules, Director so appointed must retire at the next annual general meeting ("AGM") after his appointment but shall be eligible for re-election at such meeting.

According to the Articles and the CG Code, no less than one-third of the Directors for the time being shall retire from office by rotation at each AGM provided that every director shall be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election.

The Company may remove any Director by an ordinary resolution at a general meeting pursuant to the Articles.

In accordance with the CG Code, independent non-executive Directors have been appointed for a term of three years upon their appointment, and are eligible for re-appointment and subject to the retirement and re-election provisions contained in the Articles. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of them meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Board Practices

The Board operates in accordance with the Articles. It meets from time to time according to the business requirement of the Company. During the Year, the Board held regular meetings and met more frequently as and when required. Details of the Directors' attendance at the regular board meetings during the Year are set out on page 18 of this annual report. In order to make timely decision and have effective implementation of the Company's policy and decision, written resolutions signed by all Directors have been adopted from time to time.

The Board is supported by two Board committees, namely Remuneration Committee and Audit Committee. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of each committee are available on the Company's website.

At least 14 days' notice of a regular Board/committee meeting is given to all Directors/committee members to provide them with an opportunity to attend and they are given an opportunity to include matters in the agenda for a Board/committee meeting. Agenda and accompanying board papers are sent in full to all Directors/committee members at least 3 days before the intended date of a Board/committee meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors/committee members are unable to attend a meeting, they are advised the matters to be discussed and given an opportunity to make their views known to the Company Secretary, on behalf of the Chairman and the chairman of the committee, prior to the convening of each Board meeting/committee meeting.

Directors/committee members are free to contribute alternative views at meetings and major decisions would only be taken after deliberation at Board/committee meetings. If a Director has a conflict of interest in a manner to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a Board meeting would be held. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed, would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution proposed at the Board meeting.

The Company Secretary is responsible for taking minutes of Board and committee meetings, which would be sent to Directors/committee members within a reasonable time after each meeting and be made available for inspection by Directors/committee members.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are followed and complied with, and advising the Board on compliance matters.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and Chief Executive Officer of the Board are held by separate individuals to maintain and preserve independence and an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

The Chairman provides leadership to the Board so that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the notice and agenda for each Board meeting to the Company Secretary. With the support of executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

The Chief Executive Officer is responsible for the formulation of business directions and operational decisions of the management and performance of the Group. The Chief Executive Officer, together with the other Executive Directors and management team, is responsible for the implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Remuneration Committee meets at least once a year. Details of its composition are set out on page 3 of this annual report. The principal responsibilities of Remuneration Committee include, among others, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. No Director and executive can determine his own remuneration. The terms of reference of the Remuneration Committee are posted on the Company's websites.

During the Year, the Remuneration Committee held one meeting and reviewed the remuneration packages of all Directors and the overall remuneration policy of the Company. Details of the committee members' attendance at the meeting during the Year are set out on page 18 of this annual report.

The remuneration for the executive Directors comprises basic salary, discretionary bonus, pensions and share options. They are determined based on the skill, knowledge and involvement in the Company's affairs of each executive Director and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. Details of the amount of Directors' remuneration for the Year are set out in Note 9 to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and Note 37 to the financial statements of this annual report.

AUDIT COMMITTEE

The Audit Committee meets at least twice a year with its primary duties to oversee the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls. All of its members are appointed from the independent non-executive Directors, with its Chairman having appropriate professional qualification and experience in financial matters. Details of its composition are set out on page 3 of this annual report. The terms of reference of the Audit Committee are posted on the Company's websites.

During the Year, the Audit Committee met on two occasions in furtherance of its duties to review the truth and fairness of the Group's financial statements and to consider the nature and scope of external audit reviews. Details of the committee members' attendance at the meeting during the Year are set out on page 18 of this annual report.

NOMINATION COMMITTEE

The Nomination Committee was established on 28 March 2012. Details of its composition are set out on page 3 of this annual report. The terms of reference of the Nomination Committee are posted on the Company's websites.

The Nomination Committee will meet at least once a year with key responsibilities for considering and approving the appointment of members of the Board and will meet to discuss when nomination of new director(s) is received or when circumstances require. In considering the suitability of a candidate for directorship, the Board will take into account the candidate's qualification, experience, expertise and knowledge as well as the prevailing composition, structure and size of the Board and the requirements under the Listing Rules.

The power to nominate or appoint additional directors is vested in the Board according to the Articles, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the Articles and the Companies Ordinance of Hong Kong. The procedures for shareholders to propose a person for election as a Director are posted on the Company's websites.

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE AT THE MEETINGS

Name of Directors during the Year	Number of meetings attended/held while being a Director/committee member during the Year			
	Board	Audit Committee	Remuneration Committee	Nomination Committee*
Executive Directors				
Mr. Wang Jun	2/5	–	–	–
Mr. Wong Yu Lung, Charles	5/5	–	–	–
Mr. Ding Chung Keung	5/5	–	–	–
Mr. Kee Wah Sze	4/5	–	1/1	–
Mr. Xie Xiao Qing	3/5	–	–	–
Ms. Wong, Michelle Yatyee	3/5	–	–	–
Mr. Melvin Jitsumi Shiraki (<i>re-designated as an executive Director on 1 January 2012</i>)	–	–	–	–
Independent Non-Executive Directors				
Mr. Ma Ho Fai SBS JP	4/5	2/2	1/1	–
Mr. Cheng Yuk Wo	3/5	2/2	1/1	–
Mr. Ng Chi Keung (<i>appointed on 2 December 2011</i>)	–	–	–	–
Mr. Melvin Jitsumi Shiraki (<i>re-designated as an executive Director on 1 January 2012</i>)	4/5	2/2	–	–

* Established on 28 March 2012 and no meeting was held during the Year

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following connected transactions pursuant to the Listing Rules:

- (1) On 24 August 2011, the Group entered into various conditional agreements to effect the Introduction (as mentioned on p. 7 under the paragraph headed "Introduction of Strategic Investor – Hony") which involved, inter alia, disposal of the Group's certain interests in Rongzhong to Hony and subscription of new shares of Rongzhong and Rongzhong Capital respectively by Hony. At the same time, Mr. Xie Xiao Qing ("Mr. Xie"), a director of the Company and a substantial shareholder of Rongzhong (held through Yonghua) entered into an agreement with Hony to dispose of his certain interests in Rongzhong. Completion of the above and the transactions contemplated thereunder was inter-conditional and it took place on 26 October 2011. Pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules, the Introduction constituted a connected transaction for the Company.

To govern the rights and obligations of the shareholders of Rongzhong and Rongzhong Capital, Rongzhong and Rongzhong Capital (as the case may be), the shareholders of each of them, including, among others, the Group, Hony and Mr. Xie entered into two shareholders' agreements upon Completion.

Upon Completion, Rongzhong Capital continues to be a subsidiary of the Group whereas Rongzhong is now a jointly controlled entity of the Group.

Pursuant to the terms of the aforesaid shareholders' agreements, the following agreements were entered into upon Completion:

- a. an agreement entered into between Rongzhong and Rongzhong Capital in relation to (i) the grant of a revolving loan facility of not more than RMB150 million by the Rongzhong Leasing Group to the Rongzhong Group; and (ii) the provision of the guarantee by the Rongzhong Group in favour of any financial institutions as security for the grant of banking facilities by such financial institutions to the Rongzhong Leasing Group (the "Loan and Guarantee Services Agreement"); and
- b. a supplemental deed entered into between Rongzhong as borrower and Solomon Glory Limited (a wholly-owned subsidiary of the Company) as lender in relation to, amongst others, reduction of interest rate and extension of the final repayment date under the loan agreement dated 17 March 2010 regarding a revolving loan facility of HK\$900 million provided by Solomon Glory Limited to Rongzhong (the "Rongzhong Supplemental Loan Agreement").

Since Hony became a substantial shareholder of Rongzhong Capital upon Completion, Hony became a connected person of the Group. Rongzhong, is owned as to 40% by Hony upon Completion, is an associate of Hony. As a result, the Rongzhong Group became connected persons of the Group, and therefore, the Loan and Guarantee Services Agreement and the Rongzhong Supplemental Loan Agreement constituted connected transactions for the Company.

Further details of the Introduction were set out in the Circular.

- (2) Pursuant to a facility agreement dated 2 September 2009 entered into between Rongzhong Group and a licensed bank (the “Bank”) in relation to a loan facility of up to RMB100 million provided to Rongzhong Group by the Bank (as amended by a supplemental facility agreement dated 3 September 2011 to extend the maturity date of such loan facility to 4 September 2012), the Company provided in favour of the Bank to guarantee payment of 71% (the then percentage holding by the Group) of all sums payable by Rongzhong Group under such facility agreement (the “Corporate Guarantee”) and the aforesaid percentage will be increased or decreased in the same proportion if the Company’s shareholding in Rongzhong Group changes provided that such percentage shall in no event be less than 51%. As explained in point (1) above, Rongzhong Group became connected persons of the Group upon Completion, therefore, the provision of the Corporate Guarantee constituted connected transaction for the Company.

In addition, the Group had the following continuing connected transactions which were subject to annual review requirement during the Year pursuant to the Listing Rules:

- (3) On 24 March 2010, the Company, as tenant, and Wah Link Investments Limited (“Wah Link”), as landlord, executed a tenancy agreement whereby the Company agreed to lease certain areas located at Unit 1901 and portion of Units 1902-3, 19th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong (the “Lease”) for a term of three years commencing from 1 May 2010 at a monthly rental of HK\$184,548 (exclusive of management fees, rate, government rent and operating expenses).

Wah Link is beneficially owned by a close relative of Mr. Wong Yu Lung, Charles (“Mr. Wong”), the Deputy Chairman of the Company and it is regarded as a connected person of the Company according to the Listing Rules. Therefore, the Lease constituted continuing connected transaction for the Company. Details of which were announced on 24 March 2010.

- (4) On 24 March 2010, Rongzhong (a subsidiary of the Company before Completion), as tenant, entered into a tenancy agreement with Wah Link, as landlord, whereby Rongzhong agreed to lease certain areas located at Units 1905-6, 19th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong (the “Rongzhong Lease”) for a term of three years commencing from 1 May 2010 at a monthly rental of HK\$31,434 (exclusive of management fees, rate, government rent and operating expenses). Same as point no. (3) above, the Rongzhong Lease also constituted continuing connected transaction for the Company. Details of which were announced on 24 March 2010.

As referred to point (1) above, Rongzhong is now a jointly controlled entity of the Group and the Rongzhong Lease ceased to be a continuing connected transaction for the Company upon Completion.

The above continuing connected transactions had been reviewed by the independent non-executive Directors who had confirmed that they were entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The external auditor of the Company had also confirmed in writing that the above continuing connected transactions:

- (a) had been approved by the Board;
- (b) were entered into in accordance with the relevant agreement governing the respective transaction; and
- (c) the relevant amounts of the respective continuing connected transaction did not exceed the limit as set out in the relevant announcement.

RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards. Certain details of these transactions are set out in Note 42 to the financial statements.

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Finance and Accounting Department, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor’s Report on page 32.

AUDITOR’S REMUNERATION

The remuneration for the Year in respect of audit and non-audit services paid to the Company’s auditor amounted to approximately HK\$850,000 and approximately HK\$1,293,000 respectively.

INTERNAL CONTROLS

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and the Company’s assets. The system of internal controls aims to help achieving the Group’s business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. The design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The management reviews the internal control system and evaluates its adequacy, effectiveness and compliance. It has reported to the Audit Committee from time to time during the Year, in conjunction with key findings identified by the external auditor, findings and actions or measures taken in addressing those internal controls. The Audit Committee in turn reports any material issues to the Board. The Board, also reviews plan and progress on continuous improvement work of the Company’s internal control system on a periodic basis.

COMMUNICATION WITH SHAREHOLDERS

The Company’s AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company’s performance. Separate resolutions will be proposed for each substantially separate issue at the AGM.

In accordance with the Listing Rules, the vote of shareholders at general meetings will be taken by poll and the poll results will be posted on the designated websites of the Stock Exchange and the Company on the same day following the shareholders’ meeting.

Information about the Company can be found in the Company’s website including, but not limited to, descriptions of the business, announcements and the annual/interim reports.

The Directors submit their report together with the audited financial statements of the Group for the Year.

PLACE OF INCORPORATION OF THE COMPANY AND PRINCIPAL ACTIVITIES OF THE GROUP

The Company is an investment holding company incorporated in Hong Kong. The principal activities and other particulars of its subsidiaries are set out in Note 43 on the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the Year and the state of the Group's and the Company's affairs as at 31 March 2012 are set out in the financial statements on pages 33 to 108.

The Directors did not recommend the payment of a dividend in respect of the Year (2011: HK2 cents).

SEGMENT INFORMATION

The Group's revenue and profit from operating activities for the Year were derived from provision of financial services in China. Segment analysis is set out in Note 6 on the financial statements.

FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 4 of this annual report.

EQUIPMENT

Details of movements in equipment of the Group and the Company are set out in Note 14 on the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Movement during the Year in the reserves of the Group is set out in the consolidated statement of changes in equity on page 37 of this annual report and movement in the reserves of the Company is set out in Note 32 to the financial statements.

As at 31 March 2012, the Company had, before dividends, approximately HK\$149.054 million (2011: HK\$206.567 million) distributable reserves as calculated under Section 79B of the Hong Kong Companies Ordinance.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2012 are set out in Note 28 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in Note 31 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group, including the Group's jointly controlled entity, accounted for approximately 35% (2011: 25%) of the Group's revenue and the largest customer, being the Group's jointly controlled entity, accounted for approximately 20% (2011: 7%) of the Group's revenue.

Due to the nature of the activities of the Group, there is no major supplier contributed significantly in the Group's purchases.

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme. Particulars of which are set out in Note 41 on the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year were:

Executive Directors

Mr. Wang Jun

Mr. Wong Yu Lung, Charles

Mr. Ding Chung Keung

Mr. Kee Wah Sze

Mr. Xie Xiao Qing

Ms. Wong, Michelle Yatyee

Mr. Melvin Jitsumi Shiraki (*re-designated as an executive Director on 1 January 2012*)

Independent Non-Executive Directors

Mr. Ma Ho Fai SBS JP

Mr. Cheng Yuk Wo

Mr. Ng Chi Keung (*appointed on 2 December 2011*)

Mr. Melvin Jitsumi Shiraki (*re-designated as an executive Director on 1 January 2012*)

Pursuant to articles 87, 117 and 118 of the Articles, Mr. Kee Wah Sze, Mr. Xie Xiao Qing, Ms. Wong, Michelle Yatyee and Mr. Ng Chi Keung shall retire from the Board at the forthcoming AGM. All retiring Directors, being eligible, offer themselves for re-election at the AGM. Details of the retiring Directors standing for re-election are set out in the circular to the Company's shareholders sent together with this report.

No Director being proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than normal statutory obligations.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 5 to 6 of this annual report.

DIRECTORS' REMUNERATION

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in Note 9 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Connected Transactions and Continuing Connected Transactions" on page 18 of this annual report and in Note 42 to the financial statements in connection with the related party transactions, no contracts of significance in relation to the Group's business to which the Company and any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the Year.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 31 March 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	Approximate percentage of the issued Shares as at 31 March 2012
Mr. Wang Jun ("Mr. Wang")	Interest in controlled corporation	101,251,300 <i>(Note 1)</i>	–	3.69%
	Beneficial owner	–	25,000,000 <i>(Note 2)</i>	0.91%
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Interest in controlled corporation	855,808,725 <i>(Note 1 on page 27)</i>	–	31.18%
	Beneficial owner	–	25,000,000 <i>(Note 2)</i>	0.91%
	Beneficial owner	–	26,000,000 <i>(Note 3)</i>	0.95%
	Beneficial owner	–	26,000,000 <i>(Note 4)</i>	0.95%
Ms. Wong, Michelle Yatyee ("Ms. Michelle Wong")	Interest in controlled corporation	715,846,792 <i>(Note 3 on page 27)</i>	–	26.08%
	Beneficial owner	–	13,000,000 <i>(Note 4)</i>	0.47%
Mr. Ding Chung Keung ("Mr. Ding")	Beneficial owner	58,780,000	–	2.14%
	Beneficial owner	–	25,000,000 <i>(Note 2)</i>	0.91%
	Beneficial owner	–	26,000,000 <i>(Note 3)</i>	0.95%
	Beneficial owner	–	26,000,000 <i>(Note 4)</i>	0.95%

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 31 March 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 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 31 March 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 31 March 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 31 March 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 31 March 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 26 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 26, 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 31 March 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

Particulars of the Share Option Scheme are set out in Note 37 to the financial statements.

Details of the movements of share options during the Year were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercisable period (Note 2)	Outstanding at 31/3/11	Outstanding at 31/3/12
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
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	26,000,000
Mr. Ding	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
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	26,000,000
Ms. Michelle Wong	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:

1. No share options were granted, exercised, lapsed or cancelled during the Year; and
2. The vesting period of the 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
Executive Director	
Mr. Ding Chung Keung	<ul style="list-style-type: none"> – Monthly remuneration revised to HK\$130,000 with effect from Completion. – Appointed on 1 September 2011 as an independent non-executive director, a member of the audit committee and the remuneration committee of 21 Holdings Limited, a company listed on the Stock Exchange. Further appointed as the chairman of its nomination committee with effect from 12 March 2012.
Mr. Kee Wah Sze	<ul style="list-style-type: none"> – Monthly remuneration revised to HK\$60,000 with effect from Completion. – Appointed on 20 March 2012 as a member of the nomination committee of Theme International Holdings Limited, a company listed on the Stock Exchange.
Mr. Xie Xiao Qing	<ul style="list-style-type: none"> – Monthly remuneration payable by the Group revised to HK\$10,000 and RMB10,000 (after tax) with effect from Completion.
Mr. Melvin Jitsumi Shiraki	<ul style="list-style-type: none"> – Re-designated as an Executive Director and monthly remuneration revised to HK\$80,000 with effect from 1 January 2012.
Independent non-executive Director	
Mr. Cheng Yuk Wo	<ul style="list-style-type: none"> – An independent non-executive director, the chairman of the audit committee, a member of the remuneration committee and the nomination committee of Top Spring International Holdings Limited, a company listed on the Stock Exchange on 23 March 2011. Further appointed as the chairman of its remuneration committee and a member of its corporate governance committee on 29 March 2012. – Appointed on 13 March 2012 as the chairman of the audit committee and remuneration committee, a member of the nomination committee of CSI Properties Limited, a company listed on the Stock Exchange. – Appointed on 1 April 2012 as the chairman of the remuneration committee and a member of the nomination committee of C.P. Lotus Corporation, a company listed on the Stock Exchange.

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 THE COMPANY'S LISTED SECURITIES

During the Year, the Company repurchased a total number of 15,550,000 Shares at an aggregate purchase price of HK\$6,178,500 on the Stock Exchange.

Details of the repurchases of such Shares were as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
February 2012	7,960,000	0.420	0.335	2,952,100.00
March 2012	<u>7,590,000</u>	0.435	0.410	<u>3,226,400.00</u>
Total	<u>15,550,000</u>			6,178,500.00
		Total expenses on Shares repurchased		<u>19,158.87</u>
		Total (HK\$)		<u>6,197,658.87</u>

All the 15,550,000 repurchased Shares were cancelled during the Year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased Shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code during the Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Company has applied the principles and complied with the applicable code provisions of the CG Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of more than 25% of the Shares in the market as required under the Listing Rules.

AUDITOR

Deloitte Touche Tohmatsu (“DTT”) retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of DTT as auditor of the Company is to be proposed at such meeting.

On behalf of the Board

Ding Chung Keung
Chief Executive Officer

Hong Kong
13 June 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF GOLDBOND GROUP HOLDINGS LIMITED

金榜集團控股有限公司

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Goldbond Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 33 to 108, which comprise the consolidated and the Company’s statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Continuing operations			
Revenue	5	124,836	48,559
Other income		7,374	2,629
Staff costs	8	(28,949)	(25,994)
Other operating expenses		(35,536)	(48,471)
Impairment loss on loans receivable	23	(60,782)	–
Change in fair values of financial liabilities	36	(5,715)	–
Direct finance costs	6	(58,133)	(18,606)
Other finance costs	7	(360)	(313)
Share of profit of a jointly controlled entity	17	16,056	–
Loss before taxation	8	(41,209)	(42,196)
Taxation	10	(8,779)	(4,468)
Loss for the year from continuing operations		(49,988)	(46,664)
Discontinued operations			
Profit for the year from discontinued operations	11	572,358	138,074
Profit for the year		522,370	91,410
Other comprehensive income			
Exchange differences arising on translation		55,342	79,425
Total comprehensive income for the year		577,712	170,835
Profit for the year attributable to:			
Owners of the Company		500,813	64,661
Non-controlling interests		21,557	26,749
		522,370	91,410
Total comprehensive income for the year attributable to:			
Owners of the Company		549,960	137,072
Non-controlling interests		27,752	33,763
		577,712	170,835
Earnings (loss) per share	13		
From continuing and discontinued operations			
– Basic and diluted		HK 18.15 cents	HK 2.35 cents
From continuing operations			
– Basic and diluted		HK (2.24) cents	HK (1.91) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Equipment	14	2,184	6,751
Interest in an associate	16	–	59,295
Interest in a jointly controlled entity	17	1,067,496	–
Loans to a jointly controlled entity	17	671,515	–
Goodwill	18	–	103,686
Intangible assets	19	–	1,315
Finance leases receivable	20	689,796	309,786
Club debentures	21	18,179	17,529
		2,449,170	498,362
Current assets			
Properties held for sale	22	–	9,536
Amount due from an associate	16	–	12,417
Amount due from a jointly controlled entity	17	542	–
Loans receivable	23	–	62,146
Accounts receivable and advances provided to customers	24	–	1,163,463
Finance leases receivable	20	525,662	174,390
Prepayments, deposits and other receivable		7,176	8,950
Security deposits	25	19,430	200,947
Short term bank deposits	26		
– with original maturity within three months		494,813	164,799
– with original maturity more than three months		66,866	122,050
Bank balances and cash	26	29,503	156,386
		1,143,992	2,075,084
Current liabilities			
Other payable and accrued charges		32,559	128,278
Deposits from loan guarantee customers		–	193,440
Deposits from finance lease customers	20	43,552	1,666
Deferred income	27	14,048	35,146
Taxation		3,611	42,946
Bank borrowings – amount due within one year	28	372,718	248,016
Liabilities under shareholders' agreements	29	5,583	–
Liabilities arising from loan guarantee contracts	30	–	8,797
		472,071	658,289
Net current assets		671,921	1,416,795
Total assets less current liabilities		3,121,091	1,915,157

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Capital and reserves			
Share capital	31	274,501	276,056
Reserves		1,716,541	1,184,415
<hr/>			
Equity attributable to owners of the Company		1,991,042	1,460,471
Non-controlling interests		187,237	154,054
<hr/>			
Total equity		2,178,279	1,614,525
<hr/>			
Non-current liabilities			
Deposits from finance lease customers	20	182,641	17,881
Deferred income	27	19,917	12,842
Bank borrowings – amount due after one year	28	423,671	254,625
Liabilities under shareholders' agreements	29	313,823	–
Redeemable convertible preference shares	33	2,760	2,400
Deferred taxation	34	–	12,884
<hr/>			
		942,812	300,632
<hr/>			
		3,121,091	1,915,157

The consolidated financial statements on pages 33 to 108 were approved and authorised for issue by the Board of Directors on 13 June 2012 and are signed on its behalf by:

Wong Yu Lung, Charles
Director

Ding Chung Keung
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Equipment	14	1,394	826
Interest in subsidiaries	15	1	15,752
Club debentures	21	18,179	17,529
		19,574	34,107
Current assets			
Amounts due from subsidiaries	15	585,935	859,674
Prepayments, deposits and other receivable		1,551	649
Short term bank deposits	26		
– with original maturity within three months		492,509	164,799
– with original maturity more than three months		66,865	122,050
Bank balances and cash	26	674	626
		1,147,534	1,147,798
Current liabilities			
Other payable and accrued charges		629	1,149
Net current assets		1,146,905	1,146,649
Total assets less current liabilities		1,166,479	1,180,756
Capital and reserves			
Share capital	31	274,501	276,056
Reserves	32	889,218	902,300
Total equity		1,163,719	1,178,356
Non-current liability			
Redeemable convertible preference shares	33	2,760	2,400
		1,166,479	1,180,756

Wong Yu Lung, Charles
Director

Ding Chung Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to owners of the Company											Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note)	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Attributed to non-controlling interests HK\$'000	
At 1 April 2010	274,456	547,800	3,000	36,779	6,000	-	10,885	43,722	442,652	1,365,294	121,482	1,486,776
Exchange differences arising on translation	-	-	-	-	-	-	-	72,411	-	72,411	7,014	79,425
Profit for the year	-	-	-	-	-	-	-	-	64,661	64,661	26,749	91,410
Total comprehensive income for the year	-	-	-	-	-	-	-	72,411	64,661	137,072	33,763	170,835
Sub-total	274,456	547,800	3,000	36,779	6,000	-	10,885	116,133	507,313	1,502,366	155,245	1,657,611
Dividends recognised as distribution (Note 12)	-	-	-	-	-	-	-	-	(54,891)	(54,891)	-	(54,891)
Issue of shares upon exercise of share options	1,600	2,496	-	-	-	-	-	-	-	4,096	-	4,096
Exercise of share options	-	2,292	-	(2,292)	-	-	-	-	-	-	-	-
Expenses incurred in connection with issue of shares	-	(7)	-	-	-	-	-	-	-	(7)	-	(7)
Recognition of equity-settled share-based payments	-	-	-	8,907	-	-	-	-	-	8,907	-	8,907
Transferred to statutory surplus reserve	-	-	-	-	-	-	1,998	-	(1,998)	-	-	-
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,191)	(1,191)
At 31 March 2011	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 12)	-	-	-	-	-	-	-	-	(55,211)	(55,211)	-	(55,211)
Non-controlling interests arising on subscription of new shares of a subsidiary (Note 43)	-	-	-	-	-	-	-	-	-	-	156,000	156,000
Additional non-controlling interests arising on debt capitalisation by a subsidiary (Note 43)	-	-	-	-	-	-	-	-	-	-	45,240	45,240
Derecognised upon disposal of subsidiaries (Note 38)	-	-	-	-	-	-	-	-	-	-	(159,384)	(159,384)
Gain on deemed disposal of a subsidiary (Note 43)	-	-	-	-	-	35,135	-	-	-	35,135	(35,135)	-
Expenses incurred for deemed disposal of a subsidiary	-	-	-	-	-	(100)	-	-	-	(100)	(100)	(200)
Realisation of reserves 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 interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,190)	(1,190)
At 31 March 2012	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

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 accounting rules and financial regulations of China before any distribution of dividends to owners each year to the statutory surplus reserve until their balances reach 50% of their respective registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK\$'000	2011 HK\$'000
Operating activities		
Profit for the year	522,370	91,410
Adjustments for:		
Taxation	33,300	39,752
Depreciation of equipment	2,588	3,983
Amortisation of intangible assets	264	442
Allowance for bad and doubtful debts, net	15,362	11,683
Equity-settled share-based payment expenses	6,991	8,907
Change in fair values of financial liabilities	5,715	–
Finance costs	64,041	27,277
Impairment loss on loans receivable	60,782	–
(Gain) loss on disposal of equipment	(2,283)	26
Gain on disposal of subsidiaries	(501,634)	–
Interest income from banks	(8,227)	(4,218)
Interest income from loans to a jointly controlled entity	(24,724)	–
Share of loss (profit) of an associate	761	(75)
Share of profit of a jointly controlled entity	(16,056)	–
Effect of foreign exchange rate changes	5,419	16,720
Operating cash flows before movements in working capital	164,669	195,907
Increase in amount due from a jointly controlled entity	(1,438)	–
Increase in amount due from an associate	–	(11,718)
Decrease in loans receivable	3,535	103,859
Increase in accounts receivable and advances provided to customers	(156,893)	(194,909)
Increase in finance leases receivable	(700,745)	(293,993)
Increase in prepayments, deposits and other receivable	(7,380)	(493)
Increase in security deposits	(29,064)	(18,313)
(Decrease) increase in other payable and accrued charges	(38,000)	87,358
Increase in deposits from loan guarantee customers	2,543	51,236
Increase (decrease) in deferred income	16,990	(5,314)
Decrease in liabilities arising from loan guarantee contracts	(994)	(1,949)
Increase in deposits from finance lease customers	203,499	10,284
Cash used in operations	(543,278)	(78,045)
Enterprise Income Tax paid in China	(25,019)	(29,473)
Net cash used in operating activities	(568,297)	(107,518)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Investing activities			
Net cash inflow on disposal of subsidiaries	38	257,196	–
Placement of short term bank deposits with original maturity more than three months		122,050	31,569
Release of short term bank deposits with original maturity more than three months		(66,866)	(77,106)
Interest received from banks		8,227	4,218
Interest received from a jointly controlled entity		1,708	–
Proceeds from disposal of equipment		2,692	164
Acquisition of an associate		(11,905)	–
Purchase of equipment		(9,482)	(3,355)
Net cash from (used in) investing activities		303,620	(44,510)
Financing activities			
Bank loans raised		611,189	261,218
Capital contribution from non-controlling interests		201,040	–
Proceeds from issue of shares		–	4,096
Repayment of bank loans		(224,545)	(97,990)
Interest paid		(63,681)	(26,964)
Dividends paid	12	(55,211)	(54,891)
Payment for repurchase of ordinary shares	31	(6,179)	–
Payment for transaction costs attributable to repurchase of ordinary shares		(25)	–
Capital repayment to non-controlling interests		(1,190)	(1,191)
Repayment to an associate	16	–	(3,046)
Expenses paid in connection with the issue of shares		–	(7)
Net cash from financing activities		461,398	81,225
Net increase (decrease) in cash and cash equivalents		196,721	(70,803)
Cash and cash equivalents at beginning of the year		321,185	371,197
Effect of foreign exchange rate changes		6,410	20,791
Cash and cash equivalents at end of the year		524,316	321,185
Analysis of balances of cash and cash equivalents			
Bank balances and cash		29,503	156,386
Short term bank deposits with original maturity within three months		494,813	164,799
		524,316	321,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company is a public limited company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the Annual Report.

The Company is an investment holding company. The principal activity of the Group is provision of financial services.

The consolidated financial statements are presented in Hong Kong dollar while the functional currency of the Company is Renminbi (“RMB”). The reason for selecting Hong Kong dollar as the presentation currency is because the Company is a public company with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs HKAS 24 (as revised in 2009)	Improvements to HKFRSs issued in 2010 Related party disclosures
Amendments to HK(IFRIC) – INT 14 HK (IFRIC) – INT 19	Prepayments of a minimum funding requirement Extinguishing financial liabilities with equity instruments

The adoption of these new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs Amendments to HKFRSs Amendments to HKFRS 7	Annual Improvements to HKFRSs 2009-2011 Cycle ² Government Loans ² Disclosures – Transfers of financial assets ¹ Disclosures – Offsetting financial assets and financial liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁵
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets ⁴
HKAS 19 (as revised in 2011)	Employee benefits ²
HKAS 27 (as revised in 2011)	Separate financial statements ²
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ⁶
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ²

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

- ¹ Effective for annual periods beginning on or after 1 July 2011.
- ² Effective for annual periods beginning on or after 1 January 2013.
- ³ Effective for annual periods beginning on or after 1 January 2015.
- ⁴ Effective for annual periods beginning on or after 1 January 2012.
- ⁵ Effective for annual periods beginning on or after 1 July 2012.
- ⁶ Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of the amendments to HKAS 32 for financial year ending 31 March 2015 and amendments to HKFRS 7 for financial year ending 31 March 2014 will have no material impact on the results and the consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 9 Financial instruments (continued)

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the consolidated financial statements for the financial year ending 31 March 2016 will have no material impact on the consolidated financial statements based on an analysis of the Group's financial statements as at 31 March 2012.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK (SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard will not have material impact on the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied for the financial year ending 31 March 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for financial services provided.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the proportionate share of net assets attributable to the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associates are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investment in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. Jointly controlled entities are accounted for using the equity method. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entities are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Financing service income mainly consists of interest income from financial assets and is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Financial leasing service income mainly consists of finance lease income and is recognised over the period of lease (see accounting policy in respect of leasing below).

Loan guarantee service income consists of guarantee fee and related service income and is recognised in profit or loss on a straight-line basis over the guarantee period.

Management fee income is recognised when the management service is rendered.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Equipment

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

A gain or loss arising from the derecognition of an intangible asset is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in term of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivable at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Properties held for sale

Properties held for sale are stated at the lower of cost or net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated financial statements when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into two categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable, accounts receivable and advances provided to customers, amounts due from subsidiaries, amount due from a jointly controlled entity, amount due from an associate, other receivables, security deposits, short term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments. The Group designated club debentures as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, including finance leases receivable, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans receivable, accounts receivable and advances provided to customers and finance leases receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost and finance leases receivable, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans receivable, finance leases receivable and account receivables and advances provided to customers, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost and finance leases receivable, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the revaluation reserve. For available-for-sale debt investments, impairment loss are subsequently reversed through profit or loss if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

The Group's other financial liabilities include other payable, deposits from loan guarantee customers and bank borrowings. These are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Convertible loan notes containing liability and conversion option derivative components

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Convertible notes containing liability and equity components

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible notes reserve until the embedded option is exercised (in which case the balance stated in the convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Redeemable convertible preference shares

Preference shares that are redeemable at the option of the holder are accounted for as described in the policy for convertible loan notes.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Loan guarantee contracts

A loan guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A loan guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the loan guarantee contract. Subsequent to initial recognition, the Group measures the loan guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows where the effect of the time value of money is material.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in the employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, the carrying amount of goodwill was HK\$103,686,000. The goodwill was derecognised upon disposal of the associated cash-generating units as more fully disclosed in Note 11.

Estimated impairment of loans receivable, finance leases receivable, accounts receivable and advances provided to customers

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected or the timing on realisation of collateral are not as expected, a material effect on impairment allowance may arise. As at 31 March 2012, the total carrying amount of finance leases receivable, loans receivable, accounts receivable and advances provided to customers were HK\$1,215,458,000 (2011: HK\$1,709,785,000) (see Notes 20, 23 and 24 for finance lease receivable, loans receivable and allowance for bad and doubtful debts on accounts receivable and advances provided to customers).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision for loan guarantees

When determining the amounts to be recognised in respect of liabilities arising from the loan guarantee business, the management estimates the provision based on prior experience and default history of the business. Where the actual defaults on loan guarantees are higher than expected, a material loss may arise (see Note 30 for details of loan guarantee contracts). As at 31 March 2011, liabilities arising from the loan guarantee business were HK\$8,797,000, which were fully derecognised in 2012 as the Group discontinued the loan guarantee business during the year.

Fair value of liabilities under shareholders' agreements

The directors of the Company use their judgement in selecting an appropriate valuation technique for measuring liabilities under shareholders' agreements not quoted in an active market. Valuation technique of discounted cash flow analysis is used based on management's assumptions. The fair value of liabilities under shareholders' agreements as at 31 March 2012 was HK\$319,406,000 (2011: nil). Details of the assumptions used are disclosed in Note 29. The directors believe that the chosen valuation techniques and assumptions (such as growth rate, risk adjusted discount rates) are appropriate in determining the fair value of financial instruments.

Income taxes

As at 31 March 2012, no deferred tax asset (2011: nil) in relation to unused tax losses of HK\$202,100,000 (2011: 184,902,000) was recognised in the Group's consolidated statement of financial position because of the unpredictability of future profit streams (Note 34). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

5. REVENUE

Revenue for the year from continuing operations represents income received and receivable from the provision of financial leasing service in China and financing service outside China. It also represents the turnover of the Group.

	2012 HK\$'000	2011 HK\$'000
Financial leasing service income	100,112	35,223
Financing service income	24,724	13,336
	124,836	48,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT INFORMATION

The Group is currently organised into several operating divisions: financial leasing, financing and 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 which are described in more details in Note 11. The segment information in respect of continuing operations is reported below.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies as described in Note 3.

Segment revenue and results

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

Year ended 31 March 2012

Continuing operations

	Financial leasing service HK\$'000 (Note a)	Financing service HK\$'000 (Note b)	Total HK\$'000
Revenue from customers	100,112	24,724	124,836
Segment results	31,521	(36,058)	(4,537)
Investment income			7,018
Change in fair values of financial liabilities			(5,715)
Unallocated corporate income and expenses:			
– other administrative income and expenses			(34,334)
– net exchange loss			(19,337)
Other finance costs			(360)
Share of profit of a jointly controlled entity			16,056
Loss before taxation (continuing operations)			(41,209)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Year ended 31 March 2011

Continuing operations

	Financial leasing service HK\$'000 (Note a)	Financing service HK\$'000 (Note b)	Total HK\$'000
Revenue from customers	35,223	13,336	48,559
Segment results	14,613	13,192	27,805
Investment income			2,468
Unallocated corporate income and expenses:			
– other administrative income and expenses			(31,845)
– net exchange loss			(40,311)
Other finance costs			(313)
Loss before taxation (continuing operations)			(42,196)

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 profit of a jointly controlled entity. This is the measure reported to the Chief Executive Officer for the purpose of resources allocation and assessment of segment performance.

Notes:

- a) Included in segment results from financial leasing service segment are direct finance costs of HK\$58,133,000 (2011: HK\$18,606,000) in which HK\$48,580,000 (2011: HK\$17,986,000) are for bank borrowings wholly repayable within five years.
- b) Included in segment results from financing service segment is an impairment loss on loans receivable of HK\$60,782,000 (2011: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

Year ended 31 March 2012

	Financial leasing service HK\$'000	Financing service HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets				
Segment assets	1,241,282	672,057	–	1,913,339
Interest in a jointly controlled entity				1,067,496
Unallocated assets				<u>612,327</u>
Total assets				<u>3,593,162</u>
Liabilities				
Segment liabilities	1,067,495	–	–	1,067,495
Unallocated liabilities				<u>347,388</u>
Total liabilities				<u>1,414,883</u>
Amounts included in the measure of segment profit or loss or segment assets:				
Expenditure for reportable segment non-current assets	495	–	1,010	1,505
Impairment loss on loans receivable	–	60,782	–	60,782
Depreciation of equipment	364	–	486	850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Year ended 31 March 2011

	Financial leasing service HK\$'000	Financing service HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets				
Segment assets	497,110	62,146	–	559,256
Unallocated assets				<u>316,738</u>
Total segment assets				875,994
Assets relating to discontinued operations				<u>1,697,452</u>
Total assets				<u>2,573,446</u>
Liabilities				
Segment liabilities	453,283	–	–	453,283
Unallocated liabilities				<u>5,603</u>
Total segment liabilities				458,886
Liabilities relating to discontinued operations				<u>500,035</u>
Total liabilities				<u>958,921</u>
Amounts included in the measure of segment profit or loss or segment assets:				
Expenditure for reportable				
segment non-current assets	544	–	25	569
Depreciation of equipment	95	–	926	1,021

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 the interest in an associate, interest in a jointly controlled entity, properties held for sale, club debentures, short term bank deposits, bank balances and cash, and certain corporate assets for central administrative uses. All liabilities are allocated to reportable segments other than taxation payable, liabilities under shareholders' agreements, redeemable convertible preference shares and certain corporate liabilities incurred for central administrative purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT INFORMATION (continued)

Geographical information

Revenue from continuing operations reported above represents income generated from external customers in China of HK\$100,112,000 (2011: HK\$48,559,000) and income generated from a jointly controlled entity outside China of HK\$24,724,000 (2011: nil).

As at 31 March 2012, non-current assets other than those relating to discontinued operations, financial instruments and deferred tax assets in an aggregate amount of HK\$790,000 (2011: HK\$647,000) were located in China. The remaining non-current assets other than those relating to discontinued operations, financial instruments and deferred tax assets of HK\$1,394,000 (2011: HK\$825,000) were located outside China.

Information about major customers

The Group's revenue from a jointly controlled entity which accounted for 10% or more of its total revenue from continuing operations is as follows:

	2012 HK\$'000	2011 HK\$'000
Customer A in the financing service segment	24,724	–

7. OTHER FINANCE COSTS

Continuing operations

	2012 HK\$'000	2011 HK\$'000
Imputed interest on redeemable convertible preference shares	360	313

8. LOSS BEFORE TAXATION

Continuing operations

	2012 HK\$'000	2011 HK\$'000
Loss before taxation has been arrived at after charging:		
Salaries, allowances and other staff benefits	21,695	16,877
Staff's retirement benefit scheme contributions	263	210
Equity-settled share based payment expenses	6,991	8,907
Total staff costs (including directors' remuneration)	28,949	25,994
Auditor's remuneration	1,191	1,259
Depreciation of equipment	850	1,021
Operating lease rentals in respect of properties	2,616	2,456
Net exchange loss (included in other operating expenses)	19,337	40,311
and after crediting:		
Interest income (included in other income)	7,018	2,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

The remuneration of each director for the year ended 31 March 2012 is set out below:

	Directors' fees	Salaries, allowances and benefits	Retirement benefit scheme contributions	Discretionary bonus	Share-based payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Executive directors</u>						
Mr. Wang Jun	-	1,440	-	1,000	-	2,440
Mr. Wong Yu Lung, Charles	-	1,440	12	120	2,763	4,335
Mr. Ding Chung Keung	-	1,700	12	6,000	2,763	10,475
Mr. Kee Wah Sze	-	860	12	-	61	933
Mr. Xie Xiao Qing	-	1,001	15	-	-	1,016
Ms. Wong, Michelle Yatyee	-	720	12	800	533	2,065
Mr. Melvin Jitsumi Shiraki (<i>Note</i>)	-	240	-	-	18	258
<u>Independent non-executive directors</u>						
Mr. Cheng Yuk Wo	120	-	-	-	152	272
Mr. Ma Ho Fai SBS JP	120	-	-	-	72	192
Mr. Melvin Jitsumi Shiraki (<i>Note</i>)	45	-	-	-	54	99
Mr. Ng Chi Keung	40	-	-	-	-	40
Total	325	7,401	63	7,920	6,416	22,125

Note: Mr. Melvin Jitsumi Shiraki was re-designated from an independent non-executive director to an executive director of the Company with effect from 1 January 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

The remuneration of each director for the year ended 31 March 2011 is set out below:

	Directors' fees	Salaries, allowances and benefits	Retirement benefit scheme contributions	Discretionary bonus	Share-based payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Executive directors</u>						
Mr. Wang Jun	–	1,440	–	1,000	1,201	3,641
Mr. Wong Yu Lung, Charles	–	1,440	12	120	3,064	4,636
Mr. Ding Chung Keung	–	1,800	12	2,500	3,064	7,376
Mr. Kee Wah Sze	–	960	12	–	10	982
Mr. Xie Xiao Qing	–	1,431	24	–	–	1,455
Ms. Wong, Michelle Yatye	–	720	12	800	86	1,618
<u>Independent non-executive directors</u>						
Mr. Cheng Yuk Wo	120	–	–	–	215	335
Mr. Ma Ho Fai SBS JP	120	–	–	–	12	132
Mr. Melvin Jitsumi Shiraki	60	–	–	–	11	71
Total	300	7,791	72	4,420	7,663	20,246

Notes:

- (a) The discretionary bonus is determined with reference to the operating results and the individual's performance in both years.
- (b) No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Employees' emoluments:

Of the five highest paid individuals in the Group, four (2011: five) were directors of the Company whose emoluments are included in the disclosures in Note 9 above. The emolument of the remaining individual was as follows:

	2012 HK\$'000	2011 HK\$'000
Salaries, allowances and other staff benefits	912	–
Staff's retirement benefit schemes contributions	12	–
Equity-settled share based payment expenses	70	–
Discretionary bonus	171	–
	1,165	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

10. TAXATION

Continuing operations

	2012 HK\$'000	2011 HK\$'000
The charge comprises:		
Current tax		
Enterprise Income Tax in China		
– Provision for the current year	8,750	4,468
– Underprovision in prior year	29	–
	8,779	4,468

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Enterprise Income Tax Law of China (the “EIT Law”) and the Implementation Regulation of the EIT Law, all subsidiaries in China are subject to the tax rate of 25% during the current and previous years.

The taxation charge for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2012 HK\$'000	2011 HK\$'000
Loss before taxation (from continuing operations)	(41,209)	(42,196)
Tax at the domestic income tax rate in China of 25% (2011: 25%)	(10,302)	(10,549)
Tax effect of share of profit of a jointly controlled entity	(2,649)	–
Tax effect of income not taxable for tax purposes	(7,484)	(3,522)
Tax effect of expenses not deductible for tax purposes	18,004	15,117
Tax effect of tax losses not recognised	4,378	3,146
Underprovision in prior year	29	–
Effect from tax rates of different jurisdictions	6,872	163
Others	(69)	113
Taxation charge for the year (relating to continuing operations)	8,779	4,468

11. 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) of 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 (the “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”), which carry out the financial leasing business of the Group, 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 provision of loan guarantee service carried out by the Disposal Group have been treated as discontinued operations. The comparative figures relating to the discontinued operations have also been re-presented.

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For the year ended 31 March 2012

11. DISCONTINUED OPERATIONS (continued)

Profit for the year from discontinued operations

	For the period from 1 April 2011 to 26 October 2011 HK\$'000	For the year ended 31 March 2011 HK\$'000
Revenue	140,342	238,213
Other income	5,428	9,561
Staff costs	(18,299)	(30,868)
Other operating expenses	(25,917)	(35,265)
Other finance costs	(5,548)	(8,358)
Share of (loss) profit of an associate	(761)	75
Profit before taxation	95,245	173,358
Taxation	(24,521)	(35,284)
Profit from financing and provision of loan guarantee service operations	70,724	138,074
Gain on disposal of subsidiaries (<i>Note 38</i>)	501,634	–
Profit for the year from discontinued operations	572,358	138,074
Profit for the year from discontinued operations attributable to:		
Owners of the Company	562,599	117,013
Non-controlling interests	9,759	21,061
	572,358	138,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

11. DISCONTINUED OPERATIONS (continued)

	For the period from 1 April 2011 to 26 October 2011 HK\$'000	For the year ended 31 March 2011 HK\$'000
Profit for the year from discontinued operations included the following:		
Interest on bank borrowings	5,548	8,358
Allowance for bad and doubtful debts	15,362	11,683
Amortisation of intangible assets	264	442
Auditor's remuneration	874	1,318
Directors' remuneration	1,173	1,935
Depreciation of equipment	1,738	2,962
Exchange gain	(17,788)	(25,724)
(Gain) loss on disposal of equipment	(2,283)	26
Interest income	(1,209)	(1,750)
Operating lease charges in respect of properties	5,416	8,563

Cash flows from discontinued operations

	For the period from 1 April 2011 to 26 October 2011 HK\$'000	For the year ended 31 March 2011 HK\$'000
Net cash (used in) from operating activities	(113,838)	3,204
Net cash (used in) from investing activities	(15,981)	62,065
Net cash from (used in) financing activities	27,920	(106,587)
Net cash outflows	(101,899)	(41,318)

The carrying amounts of the assets and liabilities of the Disposal Group on the date of disposal are disclosed in Note 38.

12. DIVIDENDS

	2012 HK\$'000	2011 HK\$'000
Dividends recognised as distribution and paid during the year:		
Final dividends of HK2 cents per share in respect of the year ended 31 March 2011 (2011: In respect of the year ended 31 March 2010 of HK2 cents per share)	55,211	54,891

The directors do not recommend the payment of a dividend for the year (2011: HK2 cents per share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

13. EARNINGS (LOSS) PER SHARE

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

	2012 HK\$'000	2011 HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	500,813	64,661
Number of shares:	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	2,760,053	2,762,568

From continuing operations

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

	2012 HK\$'000	2011 HK\$'000
Earnings (loss) figures are calculated as follows:		
Profit for the year attributable to owners of the Company	500,813	64,661
Less: Profit for the year from discontinued operations attributable to owners of the Company (<i>Note 11</i>)	(562,599)	(117,013)
Loss for the purposes of basic and diluted loss per share from continuing operations	(61,786)	(52,352)

The computation of diluted earnings per share does 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 both years.

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

Basic and diluted earnings per share for discontinued operations is HK20.38 cents per share (2011: HK4.26 cents per share), based on the profit for the year from discontinued operations attributable to owners of the Company of HK\$562,599,000 (2011: HK\$117,013,000) and the denominators detailed above for both basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

14. EQUIPMENT

	Furniture, fixtures and other fixed assets	
	2012 HK\$'000	2011 HK\$'000
THE GROUP		
COST		
At 1 April	22,372	19,227
Exchange adjustments	846	1,257
Additions	9,482	3,355
Disposals	(3,771)	(1,467)
Derecognised upon disposal of subsidiaries (Note 38)	(22,342)	–
At 31 March	6,587	22,372
ACCUMULATED DEPRECIATION		
At 1 April	15,621	12,065
Exchange adjustments	550	850
Charge for the year	2,588	3,983
Eliminated on disposals	(3,362)	(1,277)
Derecognised upon disposal of subsidiaries (Note 38)	(10,994)	–
At 31 March	4,403	15,621
NET CARRYING VALUES		
At 31 March	2,184	6,751
THE COMPANY		
COST		
At 1 April	3,927	3,683
Exchange adjustments	145	220
Additions	1,010	25
Disposal	(9)	(1)
At 31 March	5,073	3,927
ACCUMULATED DEPRECIATION		
At 1 April	3,101	2,042
Exchange adjustments	123	155
Charge for the year	464	905
Eliminated on disposal	(9)	(1)
At 31 March	3,679	3,101
NET CARRYING VALUES		
At 31 March	1,394	826

The above items of equipment are depreciated on a straight line basis at the rates of 20% to 33 $\frac{1}{3}$ % per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

15. INTEREST IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	1	197,075
Deemed capital contributions	15,752	15,752
	15,753	212,827
Impairment losses recognised	(15,752)	(197,075)
	1	15,752
Amounts due from subsidiaries	585,935	859,674

Particulars of the principal subsidiaries as at 31 March 2012 and 31 March 2011 are set out in Note 43.

As at 31 March 2012, impairment loss of HK\$15,752,000 was made for the deemed capital contribution since the carrying amount was considered as non-recoverable. During the year, two subsidiaries were deregistered and the respective impairment loss had been written off. As at 31 March 2011, impairment loss of HK\$197,075,000 was made for the cost of the unlisted shares since the relevant subsidiary was inactive.

The amounts due from subsidiaries are denominated in Hong Kong dollar, unsecured, interest free and repayable within one year.

16. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Cost of investment in an associate, unlisted	–	59,524
Share of post acquisition loss, net of dividends received	–	(229)
	–	59,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

16. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (continued)

Particulars of the associate as at 31 March 2012 and 2011 are as follows:

Name of associate	Form of business structure	Place of establishment and operation	Particulars of registered capital		Effective ownership interest indirectly held by the Company		Proportion of voting power held by the Group		Principal activity
			2012	2011	2012	2011	2012	2011	
武漢融眾高成長投資中心 (Note)	Limited partnership	China	-	RMB103,000,000	-	34.46%	-	48.54%	Provision for financing service

Note: On 26 October 2011, the interest in associate was derecognised upon disposal of subsidiaries (Note 38). As at 31 March 2011, the associate was held by a 71% owned subsidiary of the Company with a financial year end of 31 December. According to the relevant Income Tax Laws and Guidance in China, this associate was not subject to Enterprise Income Tax in China, which should be borne by the partners of this associate based on income then derived. The Group was able to exercise significant influence over the associate because it had a 48.54% of the voting power in the partnership in 2011.

Summarised financial information of the associate

The summarised financial information of the associate as extracted from the management accounts is set out below:

	2012 HK\$'000	2011 HK\$'000
Total assets	-	158,281
Total liabilities	-	(36,226)
Net assets attributable to the owners of the associate	-	122,055
Group's share of net assets of the associate	-	59,295
	For the period from 1 April 2011 to 26 October 2011 HK\$'000	For the year ended 31 March 2011 HK\$'000
Revenue		
– discontinued operations	890	2,920
(Loss) profit for the period/year		
– discontinued operations	(1,606)	137
Group's share of results of the associate for the period/year		
– discontinued operations	(761)	75

As at 31 March 2011, the amount due from the associate was HK\$12,417,000 which was unsecured, interest free and repayable on demand. The balance was derecognised upon disposal of subsidiaries as detailed in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Cost of investment in a jointly controlled entity, unlisted	1,051,440	–
Share of post acquisition profit, net of dividends received	16,056	–
	1,067,496	–

As at the date of issuance of the consolidated financial statements, the fair value assessments of certain underlying assets and liabilities (in particular, the intangible assets identified in relation to the operation) of Rongzhong has not been finalised and thus, the initial accounting for the aforesaid acquisition of equity interest in Rongzhong has been determined provisionally.

Particulars of the jointly controlled entity as at 31 March 2012 and 2011 are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital		Effective ownership interest indirectly held by the Company		Proportion of voting power held by the Group		Principal activity
			2012	2011	2012	2011	2012	2011	
			Rongzhong Group Limited (Note)	Limited	British Virgin Islands/China	US\$34,275,000	N/A	40%	

Note: In accordance with the shareholders' agreements, the strategic financial and operating decision relating to Rongzhong require the unanimous consent among the shareholders, hence Rongzhong is classified as a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

17. INTEREST IN A JOINTLY CONTROLLED ENTITY/LOANS TO A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY (continued)

Summarised financial information of the jointly controlled entity

The summarised financial information of the jointly controlled entity as extracted from the management accounts is set out below:

	2012 HK\$'000
Total assets	2,449,014
Total liabilities	(1,178,526)
Net assets attributable to the owners of the jointly controlled entity	1,270,488
Group's share of net assets of the jointly controlled entity	508,195
Revenue	
– continuing operations	136,964*
Profit for the year	
– continuing operations	40,140*
Group's share of results of the jointly controlled entity for the year	
– continuing operations	16,056

* Included revenue and profit of Rongzhong from the date it became a jointly controlled entity of the Group up to 31 March 2012.

As at 31 March 2012, the loans to the jointly controlled entity of HK\$420,481,000 bore fixed interest rate of 5% per annum, HK\$77,762,000 bore fixed interest rate of 10% per annum and the remaining balance of HK\$173,272,000 bore fixed interest rate of 3% per annum. All amounts were unsecured and will not be repaid in one year.

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

At 31 March 2012, the management of the Group carried out impairment review on the entire carrying amount of its interest in the jointly controlled entity as a single asset by comparing its recoverable amount using value in use with its carrying amount. In determining the value in use of the investments, the Group estimated the present value of the estimated future cash flows expected to be generated by the jointly controlled entity, including cash flows from the operations of the jointly controlled entity and proceeds on the ultimate disposal of the investment at a discount rate of 17%. Based on the assessment, the recoverable amount of the interests in the jointly controlled entity exceeded their entire carrying amount. Hence, no impairment on the interests in the jointly controlled entity was considered necessary.

18. GOODWILL

HK\$'000

THE GROUP

At 1 April 2010 and at 31 March 2011	103,686
Derecognised upon disposal of subsidiaries (<i>Note 38</i>)	(103,686)

At 31 March 2012

–

The goodwill arose from acquisition of additional interest in Rongzhong in 2007 and was allocated to Rongzhong, a cash generating unit (“CGU”) in financial services, for impairment testing purposes.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding discount rates, growth rates and expected changes to service charges and direct costs during the year. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. The changes in service charges and the direct costs are based on past practices and expectations of future changes in the market.

In the prior year, the Group performed an impairment review for goodwill based on cash flow forecasts derived from the respective most recent financial budget for the next five years approved by management using a discount rate of 6.66% which reflected the then market assessments of the time value of money and the risks specific to the CGU. The growth rate per annum was 5% in light of the Group’s industry growth forecast. This growth rate did not exceed the average long-term growth rate for the relevant industry. No impairment loss was considered necessary.

On 26 October 2011, the Group ceased to exercise control over Rongzhong as more fully disclosed in Note 11 and the goodwill attributable to Rongzhong was derecognised accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

19. INTANGIBLE ASSETS

	Pawn shop licences HK\$'000
<hr/>	
THE GROUP	
COST	
At 1 April 2010	2,809
Exchange adjustments	167
<hr/>	
At 31 March 2011	2,976
Exchange adjustments	110
Derecognised upon disposal of subsidiaries (<i>Note 38</i>)	(3,086)
<hr/>	
At 31 March 2012	–
<hr/>	
AMORTISATION	
At 1 April 2010	1,144
Exchange adjustments	75
Charge for the year	442
<hr/>	
At 31 March 2011	1,661
Exchange adjustments	70
Charge for the year	264
Derecognised upon disposal of subsidiaries (<i>Note 38</i>)	(1,995)
<hr/>	
At 31 March 2012	–
<hr/>	
NET CARRYING VALUES	
At 31 March 2012	–
<hr/>	
At 31 March 2011	1,315
<hr/>	

Intangible assets included pawn shop licences which had finite useful lives and the costs were amortised on a straight line basis over their estimated useful lives of six to seven years prior to the derecognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

20. 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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Finance leases receivable comprise:				
Within one year	634,104	219,536	525,662	174,390
In more than one year but not more than five years	755,244	338,896	689,796	309,786
	1,389,348	558,432	1,215,458	484,176
Less: Unearned finance income	(173,890)	(74,256)		
Present value of minimum lease payment	1,215,458	484,176		
Analysed for reporting purposes as:				
Current assets			525,662	174,390
Non-current assets			689,796	309,786
			1,215,458	484,176

The Group's finance leases receivable are denominated in Renminbi which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range mainly from 10.8% to 35.2% (2011: 10.9% to 36.3%) per annum.

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. As at 31 March 2012, these finance leases receivable were neither past due nor impaired (2011: nil) and the customers' deposits of HK\$226,193,000 (2011: HK\$19,547,000) were repayable by end of lease period. There was no unguaranteed residual value of leased assets (2011: nil) and no contingent rent arrangement that needed to be recognised in both years.

21. CLUB DEBENTURES

The club debentures are classified as available-for-sale financial assets. The fair values of the club debentures were determined by reference to recent market prices for similar debentures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

22. PROPERTIES HELD FOR SALE

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Properties held for sale	–	9,536

The properties held for sale comprised properties located in Wuhan, China and were derecognised upon disposal of subsidiaries (Note 38) on 26 October 2011.

23. LOANS RECEIVABLE

Loans receivable represent the amounts due from borrowers pursuant to two secured term loan facilities granted to finance a property development project in Zhuhai. During the year, the borrowers have failed to settle the amounts due in full by the agreed repayment dates. The Group has taken legal action against the borrower for debt recovery. In view of the uncertainty of the outcome of the legal action and the ultimate realisation of the equity interest of the property development project company, the only major asset known to be owned by the borrower, the Group considered that the loans receivable were fully impaired as at 31 March 2012 and a full provision was made accordingly.

24. ACCOUNTS RECEIVABLE AND ADVANCES PROVIDED TO CUSTOMERS

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Accounts receivable (Note a)	–	170,864
Advances provided to customers (Note b)	–	1,034,654
	–	1,205,518
Less: Allowance for bad and doubtful debts		
– accounts receivable	–	(20,984)
– advances provided to customers	–	(21,071)
	–	1,163,463

On 26 October 2011, accounts receivable and advances provided to customers were derecognised upon disposal of subsidiaries (Note 38).

Notes:

- (a) As at 31 March 2011, accounts receivable mainly included management fees receivable and interest income receivable attributable to the Disposal Group. Management fees receivable are settled according to contract terms. Interest income receivable is settled together with the loan principal when the loans are matured.
- (b) As at 31 March 2011, the advances provided to customers bore fixed coupon interest at a rate of not more than 5.6% per annum and were repayable according to the terms of loan agreements which usually cover periods of two weeks to six months. Included in the balances, an aggregate amount of HK\$1,013,583,000 was secured by pawned assets and assets such as properties and equity interests in certain private entities in China placed by customers. The Group was not permitted to sell or re-pledge the collateral in the absence of default by customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

24. ACCOUNTS RECEIVABLE AND ADVANCES PROVIDED TO CUSTOMERS (continued)

The following is an ageing analysis of accounts receivable and advances provided to customers:

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Within one month	–	269,718
More than one month but less than three months	–	214,092
More than three months but less than six months	–	256,196
More than six months	–	423,457
	–	1,163,463

For risk management purpose, there was credit team in each location responsible for the evaluation of customers' credit rating, financial background and repayment abilities. Management had set up the credit limits which were subject to the discretionary power of the general managers of each location. Any further extension of credit beyond these approval limits had to be first approved by senior management and then by the directors of Rongzhong. The credit teams were also required to take follow-up action where customers had defaulted on the repayment of loans to banks and on the repayment of advances. Management considered the receivable that was neither past due nor impaired to be of good credit quality.

The following is a credit quality analysis of accounts receivable and advances provided to customers:

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Neither past due nor impaired	–	664,910
Past due but not impaired	–	498,553
Impaired	–	42,055
Subtotal	–	1,205,518
Less: Allowance for bad and doubtful debts	–	(42,055)
Accounts receivable and advances provided to customers	–	1,163,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

24. ACCOUNTS RECEIVABLE AND ADVANCES PROVIDED TO CUSTOMERS (continued)

The following is an ageing analysis of accounts receivable and advances provided to customers which were past due but not impaired:

	THE GROUP	
	2012	2011
	HK\$'000	HK\$'000
Less than one month	–	10,725
More than one month but less than three months	–	228,201
More than three months but less than six months	–	44,090
More than six months	–	215,537
	–	498,553

Management reviewed and assessed impairment individually based on customers' repayment history and the values of assets pledged. As at 31 March 2011, an aggregate carrying amount of HK\$498,553,000 was past due but the Group had not provided for impairment loss as these customers were considered to be of good quality. Included in the balances, an aggregate amount of HK\$497,892,000 was secured by assets pledged by customers.

Movement in the allowance for bad and doubtful debts

	THE GROUP	
	2012	2011
	HK\$'000	HK\$'000
Balance at beginning of the year	42,055	38,917
Exchange realignment	1,752	2,461
Impairment losses recognised	17,811	16,743
Impairment losses reversed	(2,449)	(5,060)
Amounts written off as uncollectible	(10,381)	(11,006)
Derecognised upon disposal of subsidiaries	(48,788)	–
Balance at end of the year	–	42,055

25. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance mainly in relation to the loan guarantee business, which was derecognised upon disposal of subsidiaries (Note 38) on 26 October 2011, and the financial leasing business in China. The security deposits carry interest at prevailing market rate of 0.50% (2011: 0.40%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

26. SHORT TERM BANK DEPOSITS/BANK BALANCES AND CASH

All bank deposits of the Group and the Company carry interest at prevailing market rates ranging from 0.001% to 3.05% and 0.001% to 3.05% (2011: 0.001% to 1.42% and 0.001% to 1.42%) per annum respectively.

Included in short term bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the group entities:

	Currency	THE GROUP		THE COMPANY	
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	HKD	77,855	146,755	75,418	145,903
United States dollar	USD	15,813	82,212	15,612	82,153

27. DEFERRED INCOME

	THE GROUP	
	2012	2011
	HK\$'000	HK\$'000
Current		
Financial leasing business	14,048	53
Loan guarantee business	–	35,093
	14,048	35,146
Non-current		
Financial leasing business	19,917	2,489
Loan guarantee business	–	10,353
	19,917	12,842
Total		
Financial leasing business	33,965	2,542
Loan guarantee business	–	45,446
	33,965	47,988

Deferred income from the financial leasing business is amortised and recognised as income using effective interest method over the lease period. Deferred income from the loan guarantee business, which was derecognised upon disposal of subsidiaries (Note 38) on 26 October 2011, was amortised and recognised as revenue on a straight line basis over the guarantee period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

28. BANK BORROWINGS

	2012 HK\$'000	2011 HK\$'000
Bank loans	796,389	502,641
Secured	716,391	367,709
Unsecured	79,998	134,932
	796,389	502,641
Carrying amount repayable:		
Within one year	372,718	248,016
More than one year, but not exceeding two years	283,841	144,487
More than two years, but not exceeding five years	139,830	110,138
	796,389	502,641
Less: Amounts due within one year shown under current liabilities	(372,718)	(248,016)
	423,671	254,625

All the Group's bank borrowings are variable-rate borrowings from several banks in China carrying annual interest at the range of 100% to 120% (2011: 100% to 120%) of the rate offered by the People's Bank of China ("PBOC").

The Group's bank borrowings of RMB580,277,000 equivalent to HK\$716,391,000 (2011: RMB208,876,000 equivalent to HK\$248,661,000) are secured by charges over certain finance leases receivable of the Group with an aggregate carrying value of HK\$851,725,000 (2011: HK\$252,555,000).

As at 31 March 2011, the Group had a bank loan of RMB100,000,000 equivalent to HK\$119,048,000 secured by charges over the Group's and the non-controlling interests in Rongzhong Capital Investments Group Limited ("Rongzhong Capital Investments"), a non-wholly-owned subsidiary of the Company. This bank loan was derecognised upon disposal of subsidiaries (Note 38) on 26 October 2011 while the charges over the Group's assets will continue until the secured bank loan is fully settled.

The Group's bank borrowings are denominated in Renminbi which is the functional currency of the relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS

	THE GROUP	
	2012 HK\$'000	2011 HK\$'000
Current		
Call option	5,583	—
Non-current		
Provision for share subscription	298,922	—
Estimated liability	14,901	—
Performance target	—	—
	313,823	—
Total	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.

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 31 March 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

Call option (continued)

Date of valuation	31 March 2012	26 October 2011 (date of issue)
Fair value at measurement dates (HK\$)	5,583,000	5,873,000
Exercise price (HK\$)	70.90	70.90
Expected volatility	40.129%	36.934%
Expected dividends	–	–
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.167%	0.192%

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 31 March 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	31 March 2012	26 October 2011 (date of issue)
Fair value at measurement dates (HK\$)	298,922,000	294,119,000
Expected date of a triggering event to occur	31 December 2013	31 December 2013
Subscription price (HK\$)	315,240,000	315,240,000
Discount rate (prevailing market lending rate in Hong Kong)	4.344%	4.220%

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.

29. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

Estimated liability (continued)

As at 31 March 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	31 March 2012	26 October 2011 (date of issue)
Fair value at measurement dates (HK\$)	14,901,000	13,699,000
Probability of the triggering event to occur	20%	20%
Time to extinguishment of the estimated liability	4 years	4.43 years
Investment return to the Investor (HK\$)	102,528,000	102,528,000
Discount rate (<i>Note</i>)	8.283%	9.533%

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 31 March 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.

30. LIABILITIES ARISING FROM LOAN GUARANTEE CONTRACTS

As at 31 March 2012, no liability arising from loan guarantee contracts was recognised as a result of the discontinuation of the loan guarantee business during the year (Note 11) and the derecognition of the relevant liabilities upon disposal of subsidiaries (Note 38). As at 31 March 2011, the liabilities arising from loan guarantee contracts represented the management's best estimate of the Group's liability based on prior experience and default history of the loan guarantee business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

31. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2010, 31 March 2011 and 31 March 2012	25,000,000	2,500,000
Issued and fully paid:		
At 1 April 2010	2,744,563	274,456
Issue of shares upon exercise of share options (Note)	16,000	1,600
At 31 March 2011	2,760,563	276,056
Shares repurchased and cancelled	(15,550)	(1,555)
At 31 March 2012	2,745,013	274,501

Note: In last year, 16,000,000 share options were exercised at a subscription price of HK\$0.256 per share, resulting in the issue of 16,000,000 ordinary shares of HK\$0.10 each in the Company. All the shares issued rank pari passu in all respects with the then existing shares.

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK\$0.10 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
February 2012	7,960	0.420	0.335	2,952
March 2012	7,590	0.435	0.410	3,227
	15,550			6,179

The above shares were cancelled upon repurchase. None of the Company's subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

32. RESERVES

	Share premium HK\$'000	Revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY							
At 1 April 2010	547,800	3,000	36,779	6,000	35,184	127,160	755,923
Exchange differences arising on translation	–	–	–	–	55,574	–	55,574
Profit for the year	–	–	–	–	–	134,298	134,298
Total comprehensive income for the year	–	–	–	–	55,574	134,298	189,872
Sub-total	547,800	3,000	36,779	6,000	90,758	261,458	945,795
Dividends recognised as distribution	–	–	–	–	–	(54,891)	(54,891)
Issue of shares upon exercise of share options	2,496	–	–	–	–	–	2,496
Exercise of share options	2,292	–	(2,292)	–	–	–	–
Expenses incurred in connection with issue of shares	(7)	–	–	–	–	–	(7)
Recognition of equity-settled share-based payments	–	–	8,907	–	–	–	8,907
At 31 March 2011	552,581	3,000	43,394	6,000	90,758	206,567	902,300
Exchange differences arising on translation	–	–	–	–	42,089	–	42,089
Loss for the year	–	–	–	–	–	(2,302)	(2,302)
Total comprehensive income (expenses) for the year	–	–	–	–	42,089	(2,302)	39,787
Sub-total	552,581	3,000	43,394	6,000	132,847	204,265	942,087
Dividends recognised as distribution	–	–	–	–	–	(55,211)	(55,211)
Repurchase of ordinary shares	(4,624)	–	–	–	–	–	(4,624)
Transaction costs attributable to repurchase of ordinary shares	(25)	–	–	–	–	–	(25)
Recognition of equity-settled share-based payments	–	–	6,991	–	–	–	6,991
At 31 March 2012	547,932	3,000	50,385	6,000	132,847	149,054	889,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

33. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

THE GROUP AND THE COMPANY

As at 31 March 2012, 68,400,000 preference shares were in issue (2011: 68,400,000 preference shares).

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 without any conversion.

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

34. DEFERRED TAXATION

THE GROUP

The followings are the major deferred taxation liabilities recognised by the Group and movements thereon during the current and last years:

	Tax allowance for liabilities from loan guarantee contracts over accounting allowance HK\$'000	Deferred income HK\$'000	Allowance for doubtful debts and bad debts written off HK\$'000	Total HK\$'000
At 1 April 2010	38,974	(12,429)	(9,729)	16,816
Currency realignment	2,230	(723)	(616)	891
Debit (credit) to profit or loss	(6,445)	1,791	(169)	(4,823)
At 31 March 2011	34,759	(11,361)	(10,514)	12,884
Exchange realignment	1,321	(310)	(438)	573
Debit (credit) to profit or loss	914	3,468	(1,309)	3,073
Derecognised upon disposal of subsidiaries (<i>Note 38</i>)	(36,994)	8,203	12,261	(16,530)
At 31 March 2012	-	-	-	-

At 31 March 2012, the Group had unrecognised tax losses of HK\$202,100,000 (2011: HK\$184,902,000) available to offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK\$202,100,000 (2011: HK\$175,965,000) that may be carried forward indefinitely and the remaining balance will expire at various dates in the coming five years.

Under the EIT law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in China from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the accumulated profits of the subsidiaries in China amounting to HK\$44,690,000 (2011: HK\$421,054,000) 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.

34. DEFERRED TAXATION (continued)

THE COMPANY

As at 31 March 2012, the Company has unrecognised tax losses of HK\$201,043,000 (2011: HK\$175,705,000) available to offset against future profits. The tax losses may be carried forward indefinitely. No deferred taxation asset has been recognised due to the unpredictability of future profit streams.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of bank borrowings as set out in Note 28, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, repurchase of shares and new share issues.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets				
Finance leases receivable	1,215,458	484,176	–	–
Loans and receivables (including cash and cash equivalents)	1,284,164	1,886,521	1,147,372	1,147,702
Available-for-sale club debentures	18,179	17,529	18,179	17,529
Financial liabilities				
Deposits from finance lease customers	226,193	19,547	–	–
Held for trading	5,583	–	–	–
Designated as at FVTPL	313,823	–	–	–
Amortised cost	808,022	820,898	2,795	2,427
Loan guarantee contracts	–	8,797	–	–

Financial risk management objectives and policies

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk

Currency risk

The Company and several subsidiaries of the Company have foreign currency denominated monetary assets and monetary liabilities, thus exposing the Group and the Company to foreign currency risk.

THE GROUP

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date were as follows:

	Currency	Assets		Liabilities	
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	HKD	576,221	163,452	301,717	2,427
United States dollar	USD	15,898	82,546	20,484	–

THE COMPANY

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Currency	Assets		Liabilities	
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	HKD	661,476	1,005,685	2,795	2,427
United States dollar	USD	15,697	82,487	–	–

The Group and the Company currently do not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in USD and HKD.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD and HKD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD and HKD against RMB and a positive number below indicates an increase in profit for the year. For a 5% strengthening of USD and HKD against RMB, there would be an equal and opposite impact on the profit for the year.

THE GROUP

	USD impact		HKD impact	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase (decrease) in profit	229	(4,127)	(13,725)	(8,050)

THE COMPANY

	USD impact		HKD impact	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease in profit	(785)	(4,124)	(32,934)	(50,163)

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

THE GROUP

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company take on exposure to the effects of fluctuation in the prevailing levels of market interest rates on both the fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

The Group is exposed to fair value interest rate risk in relation to loans to a jointly controlled entity, fixed-rate finance leases receivable, loans receivable, advances provided to customers, fixed-rate bank deposits, liabilities under shareholders' agreements and redeemable convertible preference shares (see Notes 17, 20, 23, 24, 26, 29 and 33 for details of these financial instruments respectively). The Group is also exposed to cash flow interest rate risk in relation to variable-rate finance leases receivable, variable-rate bank deposits and bank balance and bank borrowings (see Notes 20, 26 and 28 for details of these financial instruments respectively). Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the rates offered by the PBOC arising from the Group's Renminbi denominated financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate finance leases receivable, security deposits, variable-rate bank deposits, bank balances and bank borrowings. The analysis is prepared assuming the amount of asset and liability of variable-rate outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2011:50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis point (2011:50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2012 would increase/decrease by HK\$1,648,000 (2011: HK\$1,532,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate finance leases receivable, security deposits, variable-rate bank deposits, bank balances and bank borrowings.

THE COMPANY

The Company is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and redeemable convertible preference shares (see Notes 26 and 33 for details of these financial instruments respectively). The Company is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits (see Note 26 for details of these financial instruments respectively). For the year ended 31 March 2012 and 2011, no interest rate sensitivity is prepared for variable-rate bank deposits as the impact is not significant for the Company. The management of the Company monitors the related interest rate risk exposure closely to ensure the interest rate risks are maintained at an acceptable level.

36. FINANCIAL INSTRUMENTS (continued)**Financial risk management objectives and policies (continued)*****Credit risk*****THE GROUP AND THE COMPANY**

As at 31 March 2012, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and loan guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to loan guarantees issued by the Group as disclosed in Note 30 and Note 40.

As at 31 March 2012, the Company's maximum exposure to credit risk in the event of that counterparties fail to perform their obligations as at 31 March 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

In order to minimise the credit risk in relation to loans receivable, finance leases receivable, accounts receivable and advances provided to customers, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For loans to a jointly controlled entity and amount due from a jointly controlled entity, the management of the Group participates in daily operation of the jointly controlled entity. In this regard, the directors of the Company consider that the credit risk of the Group and the Company is significantly reduced.

At 31 March 2011, the Group's exposure in relation to the loan guarantee business was the failure of the counterparties to perform their obligations to repay to banks on time. Risk arising from loan guarantees was similar to those associated with accounts receivable and advances provided to customers. These transactions were, therefore, subject to the same risk management procedures and policies as set out in Note 24.

Following to the discontinuation of the loan guarantee business in October 2011, the associated credit risk was discharged and the Group has no exposure in relation to the loan guarantee business as at 31 March 2012. As at 31 March 2011, the loan guarantees granted by the Group were mainly in respect of property loans, automobile loans and SME loans granted by banks to corporations and individuals in China with around 92% secured by customers' assets pledge.

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

THE GROUP AND THE COMPANY (continued)

The credit risk on liquid funds (i.e. short term bank deposits, bank balances and cash) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk on loans to a jointly controlled entity, amount due from a jointly controlled entity, loans receivable, finance leases receivable and accounts receivable and advances provided to customers ("the receivables") as at 31 March 2012 included five major customers accounting for 48.7% (2011: 16.7%) of the receivables. The Group has closely monitored the recoverability of the advances to customers and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographical risk on revenue which is generated mostly from customers located in China. The Group has closely monitored the business performance and diversified its customer bases.

The Group's concentration of industrial risk on finance leases receivable as at 31 March 2012 is mainly from the following customers' industries: laser processing, plastics, industrial processing, textile and garment and others which accounted for 23%, 11%, 33%, 16% and 17% (2011: 37%, 16%, 11%, 13% and 23%) respectively. The Group has closely monitored the market trend of these industries in China and the business performance of its customers to ensure timely collection of finance leases receivable.

The Company's concentration of credit risk on receivables as at 31 March 2012 is mainly from the amounts due from subsidiaries. The Company has closely monitored the recoverability of these balances and taken effective measures to ensure timely collection of outstanding balances.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

THE GROUP

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

THE GROUP (continued)

Liquidity tables

	Weighted average effective interest rate %	On demand HK\$'000	Within 1 month HK\$'000	1 to 3 months HK\$'000	4 to 12 months HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2012 HK\$'000
2012									
Call option	-	5,583	-	-	-	-	-	5,583	5,583
Provision for share subscription	4.34	-	-	-	-	315,240	-	315,240	298,922
Estimated liability	8.28	-	-	-	-	-	20,485	20,485	14,901
Non-derivative financial liabilities									
Other payable	-	-	8,873	-	-	-	-	8,873	8,873
Loan guarantee contract	-	-	-	-	62,963	-	-	62,963	-
Bank borrowings	7.39	-	39,816	130,272	249,800	322,002	145,205	887,095	796,389
Deposits from finance lease customers	6.65	-	-	-	45,108	99,698	115,352	260,158	226,193
Redeemable convertible preference shares	13.97	-	-	-	-	-	684,000	684,000	2,760
		5,583	48,689	130,272	357,871	736,940	965,042	2,244,397	1,353,621

	Weighted average effective interest rate %	On demand HK\$'000	Within 1 month HK\$'000	1 to 3 months HK\$'000	4 to 12 months HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2011 HK\$'000
2011									
Non-derivative financial liabilities									
Other payable	-	1,464	119,283	717	953	-	-	122,417	122,417
Deposits from loan guarantee customers	-	193,440	-	-	-	-	-	193,440	193,440
Loan guarantee contracts	-	3,253,100	-	-	-	-	-	3,253,100	8,797
Bank borrowings	6.66	-	6,996	31,318	236,640	166,265	114,646	555,865	502,641
Deposits from finance lease customers	5.79	-	-	-	1,719	7,183	13,187	22,089	19,547
Redeemable convertible preference shares	13.97	-	-	-	-	-	684,000	684,000	2,400
		3,448,004	126,279	32,035	239,312	173,448	811,833	4,830,911	849,242

The amounts included above for loan guarantee contracts represent the maximum amount that the Group could be required to pay if the guarantees were called upon in their entirety. As at 31 March 2012, the carrying amount of loan guarantee contracts (determined based on expectations at the end of the reporting period) was nil (2011: HK\$8,797,000). However, this estimate was subject to change depending on the probability of the counterparty claiming under the loan guarantee contract.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

THE COMPANY

The following table details the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate %	Within 1 month HK\$'000	1 to 3 months HK\$'000	4 to 12 months HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2012 HK\$'000
2012								
Non-derivative financial liabilities								
Other payable	-	35	-	-	-	-	35	35
Loan guarantee contract	-	-	-	62,963	-	-	62,963	-
Redeemable convertible preference shares	13.97	-	-	-	-	684,000	684,000	2,760
		35	-	62,963	-	684,000	746,998	2,795

	Weighted average effective interest rate %	Within 1 month HK\$'000	1 to 3 months HK\$'000	4 to 12 months HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2011 HK\$'000
2011								
Non-derivative financial liabilities								
Other payable	-	25	2	-	-	-	27	27
Loan guarantee contract	-	-	-	84,524	-	-	84,524	-
Redeemable convertible preference shares	13.97	-	-	-	-	684,000	684,000	2,400
		25	2	84,524	-	684,000	768,551	2,427

The amount included above for loan guarantee contract represent the maximum amount that the Company could be required to pay if the guarantee was called upon in its entirety. As at 31 March 2012, the carrying amount of loan guarantee contract (determined based on expectations at the end of the reporting period) was nil (2011: nil). However, this estimate is subject to change depending on the probability of the counterparty claiming under the loan guarantee contract.

36. FINANCIAL INSTRUMENTS (continued)

Fair value

THE GROUP AND THE COMPANY

The fair values of financial liabilities at fair value through profit or loss are determined based on generally accepted pricing models.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	THE GROUP AND THE COMPANY	
	Level 2	
	2012	2011
	HK\$'000	HK\$'000
Available-for-sale financial assets		
Club debentures	18,179	17,529
Total	18,179	17,529

	THE GROUP	
	Level 3	
	2012	2011
	HK\$'000	HK\$'000
Financial liabilities as at FVTPL		
Liabilities under shareholders' agreements (<i>Note 29</i>)		
Call option	5,583	—
Provision for share subscription	298,922	—
Estimated liability	14,901	—
	319,406	—

There were no transfers between Level 1 and 2 in the current and last years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

36. FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities (Note 29):

	THE GROUP Level 3			Total HK\$'000
	Call option HK\$'000	Provision for share subscription HK\$'000	Estimated liability HK\$'000	
Issued in October 2011	5,873	294,119	13,699	313,691
Change in fair value	(290)	4,803	1,202	5,715
At 31 March 2012	5,583	298,922	14,901	319,406

The change in fair value of HK\$5,715,000 (2011: nil) was recognised in the consolidated statement of comprehensive income.

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Company's directors and other eligible participants of the Group. The Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 29 August 2003, amendments were made to give clarity to the Scheme.

The maximum number of shares which may be issued upon exercise of all outstanding options granted but not yet exercised under the Scheme and any other share option scheme shall not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares that may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme must not in aggregate exceed 10 percent of shares in issue as at the date of approval of the Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

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For the year ended 31 March 2012

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with HK\$1 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors.

The subscription price of a share option is determined by the directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

A summary of the movements of the outstanding options and their related weighted average exercise prices during each of the two years ended 31 March 2012 under the Company's share option scheme is as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
			Outstanding at 1 April 2011	Granted during the year	Exercised during the year	Outstanding at 31 March 2012
29.3.2007	29.3.2010 – 28.3.2017	0.256	16,000,000	–	–	16,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	92,300,000	–	–	92,300,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	5,100,000	–	–	5,100,000
31.12.2008	31.12.2011 – 30.12.2018	0.345	6,000,000	–	–	6,000,000
13.3.2009	13.9.2011 – 12.3.2019	0.360	1,000,000	–	–	1,000,000
13.3.2009	13.3.2012 – 12.3.2019	0.360	2,200,000	–	–	2,200,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,250,000	–	–	52,250,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	85,150,000	–	–	85,150,000
			260,000,000	–	–	260,000,000
			HK\$	HK\$	HK\$	HK\$
Weighted average exercise price per share			0.636	–	–	0.636

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For the year ended 31 March 2012

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
			Outstanding at 1 April 2010	Granted during the year	Exercised during the year	Outstanding at 31 March 2011
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	(16,000,000)	16,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	92,300,000	–	–	92,300,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	5,100,000	–	–	5,100,000
31.12.2008	31.12.2011 – 30.12.2018	0.345	6,000,000	–	–	6,000,000
13.3.2009	13.9.2011 – 12.3.2019	0.360	1,000,000	–	–	1,000,000
13.3.2009	13.3.2012 – 12.3.2019	0.360	2,200,000	–	–	2,200,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,250,000	–	–	52,250,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	–	85,150,000	–	85,150,000
			190,850,000	85,150,000	(16,000,000)	260,000,000
			HK\$	HK\$	HK\$	HK\$
Weighted average exercise price per share			0.706	0.410	0.256	0.636

As at 31 March 2012, the Group had 122,600,000 (2011: 108,300,000) exercisable share options.

Details of the options held by the directors included in the above table are as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
			Outstanding at 1 April 2011	Granted during the year	Exercised during the year	Outstanding at 31 March 2012
29.3.2007	29.3.2010 – 28.3.2017	0.256	16,000,000	–	–	16,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	75,000,000	–	–	75,000,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	1,600,000	–	–	1,600,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	–	52,000,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	72,100,000	–	–	72,100,000
			216,700,000	–	–	216,700,000

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For the year ended 31 March 2012

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
			Outstanding at 1 April 2010	Granted during the year	Exercised during the year	Outstanding at 31 March 2011
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	(16,000,000)	16,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	75,000,000	–	–	75,000,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	1,600,000	–	–	1,600,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	–	52,000,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	–	72,100,000	–	72,100,000
			160,600,000	72,100,000	(16,000,000)	216,700,000

The weighted average share price at the dates of exercise of share option for the year ended 31 March 2011 was HK\$0.41. No share options were exercised during the year ended 31 March 2012.

Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on trinomial lattice model. The contractual life of the option is used as an input into these models. Expectations of early exercise are incorporated into the trinomial lattice model.

For the year ended 31 March 2011

Grant dates	Executive directors 1 February 2011	Independent non-executive directors 1 February 2011	Employees 1 February 2011
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Fair value of share options and assumptions:

Fair value at measurement dates (HK\$)	0.123	0.143	0.093
Share price (HK\$)	0.410	0.410	0.410
Exercise price (HK\$)	0.410	0.410	0.410
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	48.948%	48.948%	48.948%
Option life	10 years	10 years	10 years
Expected dividends	5.19%	5.19%	5.19%
Risk-free interest rate (based on Exchange Fund Notes)	2.776%	2.776%	2.776%
Expected forfeiture rate	14.29%	–	21.74%
Exercise cap	180%	180%	120%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Fair value of share options and assumptions (continued)

The expected volatility is based on the historical volatility of the Company's share price over the previous 3 to 3.5 years, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The vesting period of share options is from the date of grant until the commencement of the exercise period.

The Group recognised total expenses of HK\$6,991,000 (2011: HK\$8,907,000) relating to share option payment transactions for the year ended 31 March 2012.

38. DISPOSAL OF SUBSIDIARIES

On 26 October 2011, the Group disposed of the Disposal Group which carried out the financing service and loan guarantee service businesses.

	26 October 2011 HK\$'000
Equipment (Note 14)	11,348
Interest in an associate	73,052
Goodwill (Note 18)	103,686
Intangible assets (Note 19)	1,091
Properties held for sale (Note 22)	9,889
Amount due from an associate	14,360
Accounts receivable and advances provided to customers (Note 24)	1,353,424
Prepayments, deposits and other receivable	9,872
Security deposits (Note 25)	218,592
Bank balances and cash	45,010
Assets disposed of	1,840,324
Other payable and accrued charges	83,365
Deposits from loan guarantee customers	202,997
Deferred income (Note 27)	32,821
Taxation	46,319
Bank borrowings – amount due within one year (Note 28)	123,457
Liabilities arising from loan guarantee contracts (Note 30)	8,089
Deferred taxation (Note 34)	16,530
Loans advanced by the Group to Rongzhong	691,854
Liabilities disposed of	1,205,432
Net assets disposed of	634,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

38. DISPOSAL OF SUBSIDIARIES (continued)

Gain on disposal of subsidiaries

	26 October 2011 HK\$'000
Consideration received	305,398
Expenses incurred	(3,192)
Net consideration received	302,206
Investment in a jointly controlled entity	1,051,440
Net assets disposed of	(634,892)
Non-controlling interests	159,384
Adjustment arising from interest rate reduction from 10% to 5% on the shareholders' loan to Rongzhong	(42,813)
Call option (Note 29)	(5,873)
Provision for share subscription (Note 29)	(294,119)
Estimated liability (Note 29)	(13,699)
Tax provision	(20,000)
Gain on disposal (Note 11)	501,634

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income (Note 11).

Net cash inflow on disposal of subsidiaries

	26 October 2011 HK\$'000
Consideration received in cash and cash equivalents	305,398
Less: legal and professional fees and expenses incurred	(3,192)
Less: cash and cash equivalent balances disposed of	(45,010)
	257,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

39. OPERATING LEASE COMMITMENTS

As at 31 March 2012, the total future minimum lease payment under non-cancellable operating leases was payable as follows:

As lessee

The Group and the Company are the lessees 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.

	THE GROUP		THE COMPANY	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within one year	2,677	9,386	2,215	2,215
After one year but within five years	322	8,134	184	2,399
	2,999	17,520	2,399	4,614

40. CONTINGENT LIABILITIES

As at 31 March 2012, there were contingent liabilities in respect of the following:

- (a) The Company had given a guarantee to a bank for the granting of a borrowing of not more than RMB100,000,000 (2011: RMB100,000,000), equivalent to HK\$123,457,000 (2011: HK\$119,048,000), 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% (2011: 71%) of all sums payable by the borrower. No financial liability in relation to this guarantee given by the Company has been recognised as, in the opinion of the directors, the fair value of this guarantee has never been significant in both years.
- (b) As at 31 March 2012, no liability arising from loan guarantee contracts was recognised as a result of the discontinuation of the loan guarantee business (Note 11) on 26 October 2011 and the derecognition of the relevant liabilities upon disposal of subsidiaries (Note 38). As at 31 March 2011, the Group had contingent liabilities of RMB2,732,604,000 equivalent to HK\$3,253,100,000 and recognised RMB7,390,000 equivalent to HK\$8,797,000 in the consolidated statement of financial position as liabilities in relation to the provision of loan guarantee service in China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

41. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees; relevant income subject to a cap of monthly relevant income of HK\$20,000 (the “Cap”). No forfeited contribution is available to reduce the contribution payable in the future years.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

42. RELATED PARTY TRANSACTIONS

Save as disclosed in the consolidated financial statements, the Group had the following transactions with related parties during both years.

Key management personnel remuneration

	2012 HK\$'000	2011 HK\$'000
Short-term benefits	15,646	12,511
Post-employment benefits	63	72
Share-based payments	6,416	7,663
	22,125	20,246

The details of the remuneration paid to the key management are set out in Note 9.

Transactions with related parties

	2012 HK\$'000	2011 HK\$'000
* Loan interest income received from a jointly controlled entity	24,724	–
Management fee income received from the associate	1,438	2,573
Rental expense paid to a related company with common controlling shareholders	(2,434)	(2,592)
* Guarantee fee paid to a jointly controlled entity	(2,229)	–
Rental expense paid to non-controlling shareholder of a subsidiary	(369)	(607)

* Amounts represent transactions with Rongzhong from the date it became a jointly controlled entity of the Group up to 31 March 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

43. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
		2012	2011	Directly		Indirectly		
				2012	2011	2012	2011	
Birdsong Management Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	-	-	100%	100%	Provision of management service
Expert Link Investments Limited	British Virgin Islands/ Hong Kong	US\$1	-	100%	-	-	-	Provision of management service
Famous Apex Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	-	-	100%	100%	Provision of loan financing service
Goldbond Investment Group Limited (金榜投資集團有限公司)	Hong Kong	HK\$1,000	HK\$1,000	-	-	100%	100%	Investment holding
Goldbond Investment Group Holdings Limited (金榜投資集團控股有限公司)	British Virgin Islands/ Hong Kong	US\$1	US\$1	100%	100%	-	-	Investment holding
Nanjing Goldbond Consultancy Co. Ltd. (南京金榜信息諮詢有限公司)**	China	HK\$5,000,000	HK\$5,000,000	-	-	100%	100%	Provision of management service
Perfect Honour Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	100%	100%	-	-	Investment holding
Rongzhong Capital Holdings Limited (融眾資本集團有限公司)	British Virgin Islands/ Hong Kong	US\$100,000	US\$1	-	-	50.055%	71%	Investment holding
Rongzhong International Finance Lease Holdings Limited (融眾國際融資租賃集團有限公司)	Hong Kong	HK\$1	HK\$1	-	-	50.055%	71%	Investment holding
Rongzhong International Financial Leasing Co. Ltd. (融眾國際融資租賃有限公司)*	China	US\$39,500,000	US\$20,000,000	-	-	50.055%	71%	Provision of financial leasing service
Solomon Glory Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	-	-	100%	100%	Provision of financing service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

43. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
		2012	2011	Directly		Indirectly		
				2012	2011	2012	2011	
Chengdu City Rongzhong Financial Guarantee Co. Ltd. (成都市融眾融資擔保有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	40%***	71%	Provision of loan guarantee service
Chengdu City Yingqiang Pawn Shop Co. Ltd. (成都市映強典當有限責任公司)*	China	RMB5,000,000	RMB5,000,000	-	-	40%***	71%	Provision of financing service
Chongqing City Rongzhong Credit Guarantee Co. Ltd. (重慶市融眾信用擔保有限公司)*	China	RMB100,000,000	RMB100,000,000	-	-	40%***	71%	Provision of loan guarantee service
Chongqing Goldbond Pawn Shop Co. Ltd. (重慶金榜典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	40%***	71%	Provision of financing service
Guangzhou City Rongzhong Credit Guarantee Co. Ltd. (廣州市融眾信用擔保有限公司)*	China	RMB100,700,000	RMB100,700,000	-	-	40%***	71%	Provision of loan guarantee service
Guangzhou Rongzhong Pawn Co. Ltd. (廣州融眾典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	40%***	71%	Provision of financing service
Hangzhou Rongzhong Guarantee Co. Ltd. (杭州融眾擔保有限公司)*	China	RMB100,000,000	RMB50,000,000	-	-	40%***	71%	Provision of loan guarantee service
Hunan Rongzhong Investment Guarantee Co. Ltd. (湖南融眾投資擔保有限公司)*	China	RMB100,000,000	RMB50,000,000	-	-	40%***	71%	Provision of loan guarantee service
Jiangsu Rongzhong Investment Guarantee Co. Ltd. (江蘇融眾投資擔保有限公司)*	China	RMB50,000,000	RMB50,000,000	-	-	40%***	71%	Provision of loan guarantee service
Jiangsu Rongzhong Pawn Shop Co. Ltd. (江蘇融眾典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	40%***	71%	Provision of financing service
Wuhan Rongjinhong Enterprise Management Co. Ltd. (武漢融金弘企業管理有限公司)** (formerly known as Rongzhong Enterprise Management (Shenzhen) Co. Ltd) (融眾企業管理(深圳)有限公司)	China	HK\$439,660,000	HK\$439,660,000	-	-	40%***	71%	Provision of management service

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For the year ended 31 March 2012

43. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
		2012	2011	Directly		Indirectly		
				2012	2011	2012	2011	
Rongzhong Group Limited (融眾集團有限公司)	British Virgin Islands/ Hong Kong	US\$34,275,000	US\$26,000,000	-	-	40%***	71%	Investment holding
Rongzhong Capital Investments Group Limited (融眾資本投資集團有限公司)*	China	RMB560,000,000	RMB560,000,000	-	-	40%***	71%	Investment holding
Taizhou Rongzhong Venture Investment Co. Ltd. (泰州融眾創業投資有限公司)*	China	RMB30,000,000	RMB30,000,000	-	-	33.33%***	56.80%	Provision of financing service
Wuhan City Rongzhong Investment Guarantee Co. Ltd. (武漢市融眾投資擔保有限公司)*	China	RMB100,000,000	RMB100,000,000	-	-	40%***	71%	Provision of loan guarantee service
Wuhan Fuyuan Pawn Shop Co. Ltd. (武漢福源典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	40%***	71%	Provision of financing service
Wuhan Hanyang Pawn Shop Co. Ltd. (武漢瀚洋典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	40%***	71%	Provision of financing service
Wuhan Rongzhong Management Co. Ltd. (武漢融眾諮詢管理有限公司)**	China	HK\$50,000,000	HK\$50,000,000	-	-	40%***	71%	Provision of management service
Wuhan Rongzhong Investment Management Co. Ltd. (武漢融眾投資管理有限公司)*	China	RMB20,000,000	RMB20,000,000	-	-	40%***	71%	Investment holding
Wuhan Rongzhong Pawn Shop Co. Ltd. (武漢融眾典當有限公司)*	China	RMB49,000,000	RMB49,000,000	-	-	40%***	71%	Provision of financing service

* a limited liability company established in China

** a wholly foreign-owned enterprise established in China

*** these entities became jointly controlled entities of the Group following the disposal of controlling interest in Rongzhong on 26 October 2011

On the date of the Completion, Rongzhong Capital capitalised the shareholders' loan from its non-controlling interests of HK\$45,240,000 assigned by the Group during the year and received cash proceeds of US\$20,000,000, equivalent to HK\$156,000,000 from the Investor by new shares issue. Accordingly, the Group was deemed to dispose of 20.945% of its interest in Rongzhong Capital, reducing its continuing interest to 50.055%, and recognised a gain on deemed disposal of HK\$35,135,000 by transferring from non-controlling interests to capital reserve.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.