Annual Report 2009/10

Stock Code: 00172

金榜集團控股有限公司

GOLDBOND GROUP HOLDINGS LIMITED

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Company Milestones

To be a Mainland Consumer and SME financial service provider...

2003	Jan	Existing management took control of the Company
	May	Changed Company's name to Goldbond Group Holdings Limited
	Dec	Acquired 25% interests in Nanjing City Plaza
2004	Nov	Acquired 40% interests in Rongzhong, a platform of loan guarantee business in the PRC
	Nov	Acquired 20% interests in Goldbond Capital
2005	Jul	Further acquired 11% interests in Rongzhong, became a 51% owned subsidiary of the Company
2006	Apr	Launched financing service in Wuhan through Rongzhong
2007	Feb	Disposed of Golden Plaza in Hong Kong at approximately HK$530 million
	Mar	Disposed of 25% interests in Nanjing City Plaza at approximately HK$125 million
	Apr	Appointed Mr. Wang Jun as Chairman
	Jul	Disposed of 20% interests in Goldbond Capital at approximately US$10.25 million (equivalent to approximately HK$80 million)
	Aug	Acquired additional 20% interests in Rongzhong, resulted in a 71% owned subsidiary of the Company
	Sept	Granted RMB115 million 3-year project finance facility to a Zhuhai Property Developer
	Oct	Launched financing service in Chengdu, Chongqing and Jiangsu
2008	Apr	Obtained the wholly foreign owned leasing license from Ministry of Commerce of the PRC
	May	Launched a private equity fund in the PRC
	Dec	Established a venture investment company in Taizhou
2009	May	Launched financing service in Guangzhou
	May	Became a constituent stock in Morgan Stanley Capital International Global Small Cap Index
	Jul	Declared a final dividend of HK4 cents per share, the first time ever since January 2003.

Extensive Network in China

● **Cities with our operations**

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Mr. Ma Ho Fai SBS JP
Mr. Melvin Jitsumi Shiraki
Mr. Cheng Yuk Wo

AUDIT COMMITTEE

Mr. Cheng Yuk Wo *(Chairman)*
Mr. Ma Ho Fai SBS JP
Mr. Melvin Jitsumi Shiraki

REMUNERATION COMMITTEE

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

SECRETARY

Ms. Li Yu Lian, Kelly

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

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
46th 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

KEY DATES

Closure of Registers of Members

25 August 2010 to 30 August 2010
both dates inclusive

Annual General Meeting

30 August 2010

Payment of 2009/10 Final Dividend[#]

On or about 6 September 2010

WEBSITES

http://www.goldbondgroup.com
http://www.irasia.com/listco/hk/goldbondgroup/index.htm

STOCK CODE

00172

[#] subject to shareholders' approval of the final dividend at the Annual General Meeting

Five-year Financial Summary

RESULTS

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Turnover	**306.1**	351.1	229.4	59.7	40.0
Profit before taxation	**166.1**	211.5	193.8	38.2	13.0
Taxation	**(32.3)**	(45.1)	(12.4)	10.5	(9.1)
Profit attributable to shareholders	**133.8**	166.4	181.4	48.7	3.9
Attributable to:					
Owners of the Company	**118.6**	149.4	180.2	48.7	3.9
Minority interests	**15.2**	17.0	1.2	–	–
	133.8	166.4	181.4	48.7	3.9

ASSETS AND LIABILITIES

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Total assets	**2,087.2**	1,809.5	1,512.5	911.3	754.1
Total liabilities	**(600.4)**	(442.0)	(398.6)	(497.1)	(396.6)
	1,486.8	1,367.5	1,113.9	414.2	357.5

Board of Directors

Mr. Wang Jun, aged 69, 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 (the "PRC").

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 60, 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, Vincent, aged 40, is the Chief Executive Officer of the Company. He joined the Company in January 2004 and oversees all business operations of the Group. 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 nineteen years.

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. Mr. Ding holds a bachelor degree in business administration from The Chinese University of Hong Kong.

Mr. Kee Wah Sze, aged 62, an executive Director since January 2003, is responsible for legal aspect of the business of the Group. He 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-three years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and the PRC.

Currently, Mr. Kee is an independent non-executive director of 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 49, has been an executive Director since April 2007. He is also a director of Rongzhong Group Limited ("Rongzhong") and most of its subsidiaries in the PRC supervising 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 29, 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. Ma Ho Fai SBS JP, aged 58, 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 the PRC and a member of the 10th Yunnan Provincial Committee of the Chinese People Political Consultative Conference.

Mr. Melvin Jitsumi Shiraki, aged 64, joined the Company as an independent non-executive Director and a member of the Company's audit committee in September 2004. He is a business commerce and trade industry professional with more than thirty-two 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. Shiraki is currently the Executive Vice President of Test Rite International Company Limited.

Mr. Cheng Yuk Wo, aged 49, 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. 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. He is the proprietor of a certified public accountant practice in Hong Kong.

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

Business Review

2009/10 continued to be a challenging year to the Group. While the economic recovery remained slow in some countries, the economy of the PRC had become one of the first to emerge from the global financial crisis and achieved an annual growth rate of 8.7%, which was mainly contributed by the massive economic stimulus packages implemented in 2009 to boost up the domestic demand in the PRC. Given the strong economic growth of the PRC during the second half year of 2009/10, the Group had allocated more resources to both financing and finance lease services to seize the market growth opportunity in the last quarter of 2009/10. However, in view of the complex global economic and financial environment, management of risk remained as the primary focus of the Group. The key risk management measures included imposing new controls on loan guarantee business to reduce credit risk exposure and strengthening credit approval and post-lending management processes to improve lending assets quality. The Group also accepted the request from Zhuhai Poly Sanhao Company Limited# (珠海市保利三好有限公司) ("Poly Sanhao") and Worldpro International Investment Limited ("Worldpro") for accelerating loan repayment schedule to strengthen the liquidity position. With all these moves, the Group has built a strong foundation for growth in future years but the results for the year ended 31 March 2010 had declined slightly.

RESULTS AND DIVIDEND

Turnover of the Group for the year ended 31 March 2010 was approximately HK$306,097,000 (2009: HK$351,128,000), representing a decrease of 13% over last year. Profit after tax attributable to the owners of the Company was approximately HK$118,602,000 (2009: HK$149,404,000), representing a decrease of 21%. The decrease was mainly due to the drop in (1) income from Famous Apex Limited ("Famous Apex") of HK$19,702,000 resulted from the acceptance of the accelerated loan repayment from Poly Sanhao and Worldpro; and (2) the change in fair value of derivative component of convertible note of HK$14,592,000.

Included in the profit after tax attributable to the owners of the Company for the year ended 31 March 2010, there were some non-cash items which included, but not limited to, equity-settled share based payment expenses of HK$15,191,000 (2009: HK$14,629,000), notional interest on zero coupon convertible note of HK$3,487,000 (2009: HK$9,089,000) and notional interest on redeemable convertible preference shares of HK$272,000 (2009: HK$237,000).

The Board has proposed a final dividend of HK2 cents per share in respect of the results for the year ended 31 March 2010 (2009: HK4 cents). The ratio of dividend to profit after tax attributable to the owners of the Company for the year ended 31 March 2010 was 46% based on the issued share capital as at 31 March 2010. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 30 August 2010 (the "AGM"), the final dividend will be distributed on or about 6 September 2010 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 30 August 2010.

\# *For identification purpose only*

Rongzhong

The Group owns 71% equity interest in Rongzhong Group Limited ("Rongzhong") and its subsidiaries (collectively "Rongzhong Group") as at 31 March 2010. Rongzhong Group mainly engages in the provision of financing, loan guarantee and finance lease services. For the year ended 31 March 2010, Rongzhong Group had contributed a turnover of approximately HK$271,696,000 (2009: HK$297,025,000), representing a decrease of 9%, which was mainly due to the net effect of the drop in loan guarantee service income of HK$53,232,000 resulted from stringent risk management policies and the increase in financing service income of HK$17,949,000 and finance lease service income of HK$9,954,000.

In May and August 2007, the Group and Rongzhong entered into two loan agreements, pursuant to which the Group conditionally agreed to make available revolving loan facilities of HK$60 million and HK$500 million respectively to Rongzhong as general working capital at an interest rate of 16% per annum. As at 31 March 2010, the total outstanding loan amounted to HK$536,192,000 (2009: HK$524,161,000). In March 2010, the Group and Rongzhong entered into a new loan agreement, pursuant to which the Group conditionally agreed to make available revolving loan facility of HK$900 million to Rongzhong for repayment of the aforesaid two loan agreements and as general working capital at an interest rate of 10% per annum. As at 31 March 2010, this new loan facility was not utilised.

Currently, Rongzhong Group has established working relationship with the following banks:

- Agricultural Bank of China
- Bank of China
- Bank of Communications
- Bank of Nanjing
- Changsha Commercial Bank
- China Construction Bank
- China Development Bank
- China Everbright Bank
- China Merchants Bank
- China Minsheng Banking Corporation
- China Zheshang Bank
- Chongqing Rural Commercial Bank
- Guangdong Development Bank
- Industrial and Commercial Bank of China
- Industrial Bank
- Shanghai Pudong Development Bank
- Shenzhen Development Bank

Business Review

Rongzhong (Continued)

1. *Financing*

Rongzhong Group first launched the financing service in Wuhan, the PRC, in April 2006. Since then, such service has been extended to Chongqing, Chengdu, Jiangsu and Guangzhou.

Rongzhong Group provides different types of financing service including but not limited to the provision of bridging loans for application or renewal of bank facilities, deposits for tender bidding, and financing for management buyout, acquisition and disposal. As at 31 March 2010, Rongzhong Group had a gross loan portfolio of approximately HK$762,240,000 (2009: HK$615,793,000), representing an increase of 24%. This loan portfolio continues to achieve an attractive yield and contributing a turnover of approximately HK$209,266,000 (2009: HK$191,317,000) to Rongzhong Group during the year, representing an increase of 9%.

Rongzhong Group commenced investment management service in May 2008. As at 31 March 2010, there were two investment management companies established in Wuhan and Taizhou and one private equity fund (the "Fund") launched with mandates to seek and invest in quality SMEs in the respective region through mainly debt investment. For the year ended 31 March 2010, Rongzhong Group recognised a profit of approximately HK$9,165,000 (2009: HK$7,910,000) from its investment in the Fund.

With the extensive network established over the years, Rongzhong Group will continue expanding the financing business to other mainland cities where and when opportunities arise. The priority will be given to those cities where we have been providing loan guarantee service, namely Hangzhou and Changsha.

2. *Loan Guarantee*

Rongzhong Group carries on loan guarantee business in seven cities in the PRC, namely Changsha, Chengdu, Chongqing, Guangzhou, Nanjing, Hangzhou and Wuhan. The principal activities are the provision of loan guarantee and related services to individuals and SME against the following major loan types: (1) consumable purchase; (2) educational fund; (3) residential renovation; (4) mobile phones; (5) motor vehicle, (6) real estate property and (7) SME working capital.

For the year ended 31 March 2010, Rongzhong Group had issued new loan guarantees at an aggregate amount of approximately RMB4.6 billion (2009: RMB3.4 billion), representing an increase of 35%. However, the turnover from loan guarantee service for the year was approximately HK$51,329,000 (2009: HK$104,561,000), representing a drop of 51%. The decrease was mainly resulted from the newly imposed preventive measures on certain loan guarantee business for SME, a relatively higher risk segment with attractive profit margin, in current year. These preventive measures will be reviewed periodically to determine its appropriateness in subsequent years.

Guarantee income is recognised over the life of the guarantee contracts and, as at 31 March 2010, the deferred income amounted to approximately HK$49,715,000 (2009: HK$36,847,000) which would be recognised in the forthcoming three financial years.

Rongzhong (Continued)

3. *Finance Lease*

In addition to short-term financing and loan guarantee services, Rongzhong Group also offers medium to long term financing service through Rongzhong International Financial Leasing Co., Ltd. ("Rongzhong Finance Lease"), a wholly owned subsidiary of Rongzhong. Established in Wuhan under the wholly-foreign owned leasing license issued by the Ministry of Commerce of the PRC, Rongzhong Finance Lease commenced business operation in August 2008 offering a wide range of leasing services, such as direct leasing, sales and leaseback, operating lease, leveraged leasing and lease with manufacturer's buy-back undertaking, etc. The target customer group is SME across the nation and the current customers spanned over various provinces and cities of the PRC, including but not limited to Hubei, Hebei, Hunan, Tianjin, Hangzhou and Guangdong.

Leveraging on banking facilities from Agricultural Bank of China, China Development Bank and China Merchants Bank, Rongzhong Finance Lease recorded a remarkable growth in current year. As at 31 March 2010, the carrying value of finance lease receivable amounted to approximately HK$170,306,000 (2009: HK$18,478,000), representing an increase of 822%. For the year ended 31 March 2010, the contributed turnover was approximately HK$11,101,000 (2009: HK$1,147,000), representing an increase of 868%.

Given the strong market demand of finance lease service in the PRC, the superb business network and the industry relationship of Rongzhong Group, Rongzhong Finance Lease will continue expanding its services to all quality customers in the PRC and is expected to become a major and stable income provider to Rongzhong Group in the future.

Business Review

Famous Apex

In September 2007, Famous Apex entered into two loan agreements with Poly Sanhao and Worldpro, pursuant to which Famous Apex conditionally agreed to make available term loans of RMB100 million and RMB15 million to Poly Sanhao and Worldpro respectively. The loan of RMB100 million was secured by mortgages of the 85% equity interest in Zhuhai City China-King Real Estate Co., Ltd.# (珠海市中廣置業有限公司) and 51% equity interest in Poly Sanhao. The loan of RMB15 million was secured by the first fixed and floating charge on all assets owned by Worldpro and mortgage of the entire issued share capital of Worldpro. These loans were fully drawn in January 2008 and the first two instalments of RMB12 million and RMB18 million were subsequently paid as scheduled in January 2009 and July 2009, respectively.

On 11 August 2009, Famous Apex entered into an agreement (the "Agreement") with Poly Sanhao, Worldpro, and other relevant parties in relation to, among others, the settlement of the above loans. Pursuant to this Agreement, Poly Sanhao and Worldpro are obliged to settle these loans by way of three instalments in an aggregate amount of approximately RMB137.8 million on or before 31 December 2010. As a prerequisite, Worldpro had made a repayment of RMB14 million to Famous Apex prior to entering into this Agreement. The management of the Group believes that such move can reduce the credit risk of these loans, improve the Group's liquidity position and enable the Group to apply the funding received from the early payments for other lending and/or investment activities in order to generate additional return for the Group. Accordingly, for the year ended 31 March 2010, these loans contributed a turnover of approximately HK$34,401,000 (2009: HK$54,103,000) to the Group, representing a decrease of 36%.

FUTURE PLANS

Currently, finance lease in the PRC is still in its infancy. It represents only a very small portion of the sources of financing in the PRC (especially for SME) with a low single digit leasing penetration rate, which is far below the world's average. Since finance lease is a useful financial instrument to address the medium term funding gap faced by SME, the Directors are of the view that the demand for SME finance lease service in the PRC should remain strong in the coming years and thus more resources will be put in this business segment to capture the huge growth potential and to supplement the existing focus on SME financing product lines. Meanwhile, priority will also be given to developing financing business in order to seize the market growth opportunity in the PRC. In view of the potential impact of the sovereign debts crisis to the global economy, the Group will remain conservative in developing new businesses and exploring new investment opportunities.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2010, the Group had outstanding bank borrowings of RMB280,000,000 (2009: RMB109,000,000) granted by several banks in the PRC. The bank borrowings of RMB200,000,000 (2009: RMB109,000,000) were secured by the charges over the Group's and the minority shareholders' indirect interests in Rongzhong Investment Group Limited# (融眾投資集團有限公司) ("Rongzhong Investment") and Wuhan Rongzhong Pawn Shop Co., Ltd.# (武漢融眾典當有限公司), which are 71% owned subsidiaries of the Company, and certain finance lease receivables with an aggregate carrying value of approximately HK$90,186,000 (2009: Nil). The Company, Rongzhong Investment and a director of the Company had given guarantees to a bank in securing the bank borrowing of not more than RMB100,000,000 (equivalent to approximately HK$112,360,000) in aggregate. The guarantee provided by the Company was in proportion to its 71% equity interest in the borrower. In addition, Rongzhong Investment had given guarantees to other banks in securing the bank borrowing of not more than RMB130,000,000 (equivalent to approximately HK$146,067,000) in aggregate in the PRC. The banking facilities of RMB260,000,000 bore interest with reference to the rate offered by the People's Bank of China and the remaining facility of RMB20,000,000 bore fixed interest at 9% per annum. At present, the Group has not used any derivative to hedge against the interest rate risk exposure.

On 2 October 2007, the Company issued a convertible note with principal amount of HK$135,000,000 maturing on 2 October 2010 to a related company for acquisition of 20% issued share capital of Rongzhong. This note is interest free and convertible into ordinary shares at a conversion price of HK$1.08 per ordinary share, subject to adjustment upon occurrence of certain events. The value of this note was split into liability and derivative components and goodwill of HK$103,686,000 was recognised on the date of issuance. In December 2008, part of this note with a nominal value of HK$54,000,000 was converted into 50,000,000 ordinary shares at HK$1.08 each. On 9 October 2009, the balance of this note with a nominal value of HK$81,000,000 was converted into 75,000,000 ordinary shares at HK$1.08 each. A gain on change in fair value of derivative component of HK$1,209,000 (2009: HK$15,801,000) was recorded during the year.

Financial Review

LIQUIDITY AND CAPITAL RESOURCES (Continued)

The Group has always maintained strong liquidity position even after increasing the debt level from HK$122,472,000 to HK$314,607,000 for expansion of finance lease business during the year. As at 31 March 2010, the aggregate amount of cash, bank balances and short term bank deposits was approximately HK$452,553,000 (2009: HK$579,852,000) and the net debt to equity ratio was analysed as follows:

	2010	2009
	HK$'000	HK$'000
Debt *(Note a)*	**314,607**	122,472
Cash and cash equivalents	**(371,197)**	(495,083)
Net debt	**(56,590)**	(372,611)
Equity *(Note b)*	**1,486,776**	1,367,502
Net debt to equity ratio *(Note c)*	**N/A**	N/A

Notes:

(a) Debt comprises bank borrowings.

(b) Equity includes all capital, reserves and minority interests of the Group.

(c) Not applicable as no net debt as at 31 March 2010 and 31 March 2009.

Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

EFFECT ON EXCHANGE RATE FLUCTUATION

The Group's transactions, monetary assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi ("RMB"). On 1 July 2007, the Group adopted RMB as its functional currency since the major operations of the Group are carried out in the PRC, and are transacted and recorded in RMB. Accordingly, the exchange rate risk exposure to the Group is considered minimal and, at present, no derivative instrument is used by the Group to hedge against any exchange rate risk exposure.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2010, the Group's banking facilities were granted by several banks in the PRC and secured by the following:

(a) a charge over the Group's and the minority shareholders' indirect interests in Rongzhong Investment;

(b) a charge over the Group's and the minority shareholders' indirect interests in Wuhan Rongzhong Pawn Shop Co., Ltd.;

(c) certain finance lease receivables of the Group with an aggregate carrying value of RMB80,266,000 equivalent to approximately HK$90,186,000 (2009: Nil); and

(d) the properties held for sale of the Group with an aggregate carrying value of RMB8,010,000 (2009: RMB8,010,000) equivalent to approximately HK$9,000,000 (2009: HK$9,000,000). As at 31 March 2010, this facility was not utilised.

As at 31 March 2010, the guarantee facilities granted to the Group were secured by the security deposits in an aggregate of approximately HK$172,849,000 (2009: HK$105,302,000).

CONTINGENT LIABILITIES

As at 31 March 2010, the Group had contingent liabilities of RMB3,500,113,000, equivalent to approximately HK$3,932,711,000 (2009: RMB2,510,018,000, equivalent to approximately HK$2,820,245,000) in relation to the provision of loan guarantee service in the PRC. At the reporting date, an amount of RMB9,060,000, equivalent to approximately HK$10,180,000 (2009: RMB6,150,000, equivalent to approximately HK$6,910,000) has been recognised in the consolidated statement of financial position as liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2010, the Group's total number of staff was approximately 510 in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. Other benefits offered to the 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.

Major Properties

Particulars of major properties as at 31 March 2010 are as follows:

PROPERTIES HELD FOR SALE

Location	Gross floor area (square meter)	Existing use	Group's effective interest
Guizi Garden 1st Floor, Building 9-10 No. 428 Xiongchu Avenue Hongshan District Wuhan the PRC	2,521	Commercial	71%
Guizi Garden Basement, Building 9-10 No. 428 Xiongchu Avenue Hongshan District Wuhan the PRC	2,683	Car park	71%

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 ended 31 March 2010 under review (the "Year"), 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 of Hong Kong Limited (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 Company and its subsidiaries (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 nine members. Six 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 6 to 7 and whose respective interests in the Company, if any, are set out on page 25 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.

Corporate Governance Report

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 20 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 websites.

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 4 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. It also made recommendations to the Board regarding the above. Details of the committee members' attendance at the meeting during the Year are set out on page 20 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 4 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 addition to a number of informal discussions, 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 20 of this annual report.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee, and 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 Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follow the Articles which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE

	Number of meetings attended/held while being a Director/committee member during the Year		
Name of Directors during the Year	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Mr. Wang Jun	2/7	–	–
Mr. Wong Yu Lung, Charles	7/7	–	–
Mr. Ding Chung Keung, Vincent	7/7	–	–
Mr. Kee Wah Sze	6/7	–	1/1
Mr. Xie Xiao Qing	1/7	–	–
Ms. Wong, Michelle Yatyee	5/7	–	–
Mr. Lan Ning *(resigned on 1 September 2009)*	2/3	–	–
Independent Non-Executive Directors			
Mr. Ma Ho Fai SBS JP	5/7	2/2	1/1
Mr. Melvin Jitsumi Shiraki	3/7	2/2	–
Mr. Cheng Yuk Wo *(Chairman of both Audit Committee and Remuneration Committee)*	5/7	2/2	1/1

CONTINUING CONNECTED TRANSACTIONS

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

(1) On 28 April 2008, 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 two years commencing from 1 May 2008 at a monthly rental of HK$184,548 (exclusive of management fees, rate, government rent and operating expenses).

Wah Link is beneficially owned by the spouse of Mr. Wong Yu Lung, Charles ("Mr. Wong"), the Deputy Chairman of the Company, and a close relative of Mr. Wong and 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 28 April 2008.

(2) On 28 April 2008, Rongzhong, 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 two years commencing from 1 May 2008 at a monthly rental of HK$31,434 (exclusive of management fees, rate, government rent and operating expenses). Same as point no. (1) above, the Rongzhong Lease also constituted continuing connected transaction for the Company. Details of which were announced on 28 April 2008.

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 which are fair and reasonable so far as the shareholders of the Company were concerned; and

(c) in accordance with the terms of the relevant agreement.

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.

In addition, on 24 March 2010, the Company and Rongzhong renewed the Lease and the Rongzhong Lease respectively for a further three years commencing from 1 May 2010 at the same monthly rental. Details of which were announced on 24 March 2010.

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 41 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$1,988,000 and approximately HK$553,000 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.

Directors' Report

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 42 on the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of the Group's and the Company's affairs as at 31 March 2010 are set out in the financial statements on pages 33 to 100.

The Directors recommend the payment of a final dividend in respect of the Year of HK2 cents (2009: HK4 cents) per share to the shareholders on the register of members of the Company on 30 August 2010, estimated to be approximately HK$54.89 million (2009: HK$106.78 million). The recommended final dividend will be voted by the shareholders of the Company at the AGM to be held on 30 August 2010.

SEGMENT INFORMATION

The Group's turnover and profit from operating activities for the Year were derived from financial services in the PRC. 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 5 of this annual report.

PLANT AND EQUIPMENT

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

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 16 of this annual report.

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 31 to the financial statements.

As at 31 March 2010, the Company had, before dividends, approximately HK$127.16 million (2009: HK$133.35 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 2010 are set out in Note 28 of the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in Note 30 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in Note 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for approximately 31% of the Group's turnover and the largest customer accounted for approximately 12% of the Group's turnover.

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

At no time during the Year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have any interest in any of the Group's five largest customers.

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme. Particulars of which are set out in Note 40 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, Vincent
Mr. Kee Wah Sze
Mr. Xie Xiao Qing
Ms. Wong, Michelle Yatyee
Mr. Lan Ning *(resigned on 1 September 2009)*

Independent Non-Executive Directors

Mr. Ma Ho Fai SBS JP
Mr. Melvin Jitsumi Shiraki
Mr. Cheng Yuk Wo

Pursuant to articles 117 and 118 of the Articles, Messrs. Wang Jun, Wong Yu Lung, Charles and Cheng Yuk Wo 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 6 to 7 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 "Continuing Connected Transactions" on page 20 of this annual report and in Note 41 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 31 March 2010, 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 Shares/underlying Shares of the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Approximate percentage of issued share capital of the Company
Mr. Wang Jun ("Mr. Wang")	Interest in controlled corporation	101,251,300 *(Note 1)*	–	3.69%
	Beneficial owner	–	25,000,000 *(Note 2)*	0.91%
Mr. Wong	Interest in controlled corporation	855,808,725 *(Note 1 on page 28)*	–	31.18%
	Beneficial owner	–	25,000,000 *(Note 2)*	0.91%
	Beneficial owner	–	26,000,000 *(Note 3)*	0.95%
Ms. Wong, Michelle Yatyee ("Ms. Michelle Wong")	Interest in controlled corporation	568,806,792 *(Note 3 on page 28)*	–	20.72%
	Beneficial owner	–	16,000,000 *(Note 4)*	0.58%
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	46,000,000	–	1.68%
	Beneficial owner	–	25,000,000 *(Note 2)*	0.91%
	Beneficial owner	–	26,000,000 *(Note 3)*	0.95%
Mr. Kee Wah Sze	Beneficial owner	38,000,000	–	1.38%
Mr. Xie Xiao Qing ("Mr. Xie")	Interest in controlled corporation	125,000,000 *(Note 5)*	–	4.55%
	Beneficial owner	1,900,000	–	0.07%
	Beneficial owner	–	16,000,000 *(Note 4)*	0.58%
Mr. Ma Ho Fai SBS JP	Beneficial owner	1,200,000	–	0.04%
Mr. Melvin Jitsumi Shiraki	Beneficial owner	5,540,000	–	0.20%
Mr. Cheng Yuk Wo ("Mr. Cheng")	Beneficial owner	–	1,600,000 *(Note 6)*	0.06%

Directors' Report

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
Mr. Xie	Interest in controlled corporation	Rongzhong	4,942,600	19.01%

Notes:

1. These Shares were held by Canasia Profits Corporation (which was wholly-owned by Mr. Wang).

2. 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.

3. 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.

4. On 29 March 2007, each of Mr. Xie and Ms. Michelle Wong was granted 16,000,000 options under the Share Option Scheme to subscribe for 16,000,000 Shares respectively, exercisable at a price of HK$0.256 per Share during the period from 29 March 2010 to 28 March 2017.

5. These Shares were held by Yong Hua International Limited, a company wholly-owned by Mr. Xie.

6. 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.

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2010, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2010, 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 2010, 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 issued share capital of the Company
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Interest in controlled corporation	855,808,725 *(Note 1)*	–	31.18%
	Interest of spouse	–	51,000,000 *(Note 2)*	1.86%
Allied Luck Trading Limited ("Allied Luck")	Beneficial owner	855,808,725 *(Note 1)*	–	31.18%
Kwok, Gareth Wing-Sien ("Mr. Kwok")	Interest of spouse	568,806,792 *(Note 3)*	16,000,000 *(Note 4)*	21.31%
Ace Solomon Investments Limited ("Ace Solomon")	Beneficial owner	568,806,792 *(Note 3)*	–	20.72%
Aceyork Investment Limited ("Aceyork")	Interest in controlled corporation	568,806,792 *(Note 3)*	–	20.72%
Allied Golden Investment Limited ("Allied Golden")	Interest in controlled corporation	568,806,792 *(Note 3)*	–	20.72%
Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong")	Interest in controlled corporation	568,806,792 *(Note 3)*	–	20.72%
Martin Currie (Holdings) Limited	Interest in controlled corporation	163,280,000 *(Note 5)*	–	5.95%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. 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.

2. As disclosed in Notes 2 and 3 on page 26 of this report, Mr. Wong was granted a total of 51,000,000 share options to subscribe for 51,000,000 Shares. As such, Mrs. Wong was taken to have such interest in the underlying Shares under the provisions of the SFO.

3. 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.

4. As disclosed in Note 4 on page 26, Ms. Michelle Wong was granted 16,000,000 share options to subscribe for 16,000,000 Shares. As such, Mr. Kwok was taken to have such interest in the underlying Shares under the SFO.

5. According to the best knowledge of the Directors and the disclosure of interest notice filed by Martin Currie (Holdings) Limited, among these Shares, 24,490,000 Shares were directly held by Martin Currie Inc and 138,790,000 Shares were directly held by Martin Currie Investment Management.

   Martin Currie Inc and Martin Currie Investment Management are wholly-owned subsidiaries of Martin Currie Ltd., which in turn is a wholly-owned subsidiary of Martin Currie (Holdings) Limited.

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2010, 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	Outstanding at 31/3/09	Granted during the Year	Lapsed during the Year	Outstanding at 31/3/10
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 *(Note 3)*	13/10/2012 – 12/10/2019	–	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 *(Note 3)*	13/10/2012 – 12/10/2019	–	26,000,000	–	26,000,000
Ms. Michelle Wong	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	–	–	16,000,000
Mr. Xie	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	–	–	16,000,000
Mr. Cheng	23/5/2008	0.692	23/5/2011 – 22/5/2018	1,600,000	–	–	1,600,000
Eligible employees	17/8/2007	1.014	17/8/2010 – 16/8/2017	19,800,000	–	(2,500,000)	17,300,000
(in aggregate)	23/5/2008	0.692	23/5/2011 – 22/5/2018	4,000,000	–	(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 *(Note 3)*	13/10/2012 – 12/10/2019	–	250,000	–	250,000
				141,600,000	52,250,000	(3,000,000)	190,850,000

Notes:

1. No share options were exercised or cancelled during the Year;

2. The vesting period of the share options is from the date of grant until the commencement of the exercisable period; and

3. The closing price of the Share immediately before the date of grant was HK$0.510.

Directors' Report

RULE 13.21 OF THE LISTING RULES

Pursuant to Rule 13.21 of the Listing Rules, the following specific performance obligation of the Controlling Shareholders (as defined below) existed at 31 March 2010:

On 2 September 2009, an indirect 71% subsidiary of the Company (the "Subsidiary") as borrower entered into a facility agreement (the "Facility Agreement") with a bank established in the PRC (the "Bank") as lender whereby the Bank had agreed to grant a two-year term loan facility of RMB100 million to the Subsidiary.

Pursuant to the Facility Agreement, it would be an event of default thereunder if the Subsidiary fails to ensure that Mr. Wong and/or his associates (which has the meaning ascribed to it under the Listing Rules) (collectively the "Controlling Shareholders") at all times during the term of the Facility Agreement maintain their aggregate shareholding in the Company at not less than 35%.

The occurrence of the aforesaid event of default would render the outstanding liabilities of the Subsidiary under the Facility Agreement to become immediately due and payable.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities during the Year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules 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 Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

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, Vincent
Chief Executive Officer

Hong Kong
28 June 2010

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF GOLDBOND GROUP HOLDINGS LIMITED
(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 100, which comprise the consolidated and the Company's statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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 and true and fair presentation of the consolidated financial statements 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 of the Company, 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 2010 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, 28 June 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	5	**306,097**	351,128
Other income		**13,725**	29,674
Change in fair value of derivative component of convertible note		**1,209**	15,801
Staff costs		**(65,159)**	(62,519)
Other operating expenses		**(78,222)**	(108,329)
Share of profits of an associate		**9,165**	7,910
Finance costs	7	**(20,664)**	(21,963)
Profit before taxation	8	**166,151**	211,702
Taxation	10	**(32,313)**	(45,142)
Profit for the year from continuing operations		**133,838**	166,560
Discontinued operation			
Loss for the year from discontinued operation	8 & 11	**–**	(169)
Profit for the year		**133,838**	166,391
Other comprehensive income			
Exchange differences arising on translation		**–**	14,195
Total comprehensive income for the year		**133,838**	180,586
Profit for the year attributable to:			
Owners of the Company		**118,602**	149,404
Minority interests		**15,236**	16,987
		133,838	166,391
Total comprehensive income attributable to:			
Owners of the Company		**118,602**	161,498
Minority interests		**15,236**	19,088
		133,838	180,586
Earnings per share	13		
From continuing and discontinued operations			
– Basic		**4.38 cents**	5.68 cents
– Diluted		**4.35 cents**	5.18 cents
From continuing operations			
– Basic		**4.38 cents**	5.68 cents
– Diluted		**4.35 cents**	5.18 cents

Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Plant and equipment	14	**7,162**	9,904
Deposit		**–**	11,415
Interest in an associate	17	**55,890**	63,149
Goodwill	18	**103,686**	103,686
Intangible assets	19	**1,665**	2,090
Loan receivables	20	**–**	167,989
Finance lease receivables	21	**114,882**	10,243
Club debentures	22	**16,545**	16,545
		299,830	385,021
Current assets			
Properties held for sale	23	**9,000**	9,000
Consideration receivable from disposal of associates	16	**–**	20,437
Loan receivables	20	**161,220**	–
Account receivables and advances provided to customers	24	**928,201**	692,098
Finance lease receivables	21	**55,424**	8,235
Prepayments and deposits		**8,111**	9,533
Security deposits	25	**172,849**	105,302
Short term bank deposits	26		
– with original maturity within three months		**172,638**	157,921
– with original maturity more than three months		**81,356**	84,769
Bank balances and cash	26	**198,559**	337,162
		1,787,358	1,424,457
Current liabilities			
Amount due to an associate	17	**3,046**	17,188
Other payables and accrued charges		**36,702**	51,615
Deposits from loan guarantee customers		**133,017**	92,680
Deferred income	27	**29,027**	22,737
Taxation		**25,876**	18,995
Bank borrowings – amount due within one year	28	**52,809**	122,472
Liabilities arising from loan guarantee contracts	29	**10,180**	6,910
		290,657	332,597
Net current assets		**1,496,701**	1,091,860
Total assets less current liabilities		**1,796,531**	1,476,881

Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	30	**274,456**	266,956
Reserves		**1,090,838**	996,548
Equity attributable to owners of the Company		**1,365,294**	1,263,504
Minority interests		**121,482**	103,998
Total equity		**1,486,776**	1,367,502
Non-current liabilities			
Deposits from finance lease customers	21	**7,780**	5,245
Deferred income	27	**21,274**	14,110
Bank borrowings – amount due after one year	28	**261,798**	–
Convertible notes	32	**–**	72,532
Redeemable convertible preference shares	33	**2,087**	1,815
Deferred taxation	34	**16,816**	15,677
		309,755	109,379
		1,796,531	1,476,881

The consolidated financial statement on pages 33 to 100 were approved and authorised for issue by the Board of Directors on 28 June 2010 and are signed on its behalf by:

Wong Yu Lung, Charles
Director

Ding Chung Keung, Vincent
Director

Statement of Financial Position

As at 31 March 2010

	Notes	**2010 HK$'000**	2009 HK$'000
Non-current assets			
Plant and equipment	*14*	**1,641**	2,424
Interest in subsidiaries	*15*	**15,752**	136,277
Advances to a subsidiary	*15*	**–**	114,203
Club debentures	*22*	**16,545**	16,545
		33,938	269,449
Current assets			
Amounts due from subsidiaries	*15*	**608,724**	664,039
Advances to a subsidiary	*15*	**131,744**	–
Other receivables and prepayments		**233**	268
Short term bank deposits	*26*		
– with original maturity within three months		**172,638**	157,247
– with original maturity more than three months		**81,356**	83,758
Bank balances and cash	*26*	**5,027**	408
		999,722	905,720
Current liabilities			
Amounts due to subsidiaries	*15*	**–**	148,917
Other payables and accrued charges		**1,194**	4,661
		1,194	153,578
Net current assets		**998,528**	752,142
Total assets less current liabilities		**1,032,466**	1,021,591
Capital and reserves			
Share capital	*30*	**274,456**	266,956
Reserves	*31*	**755,923**	680,288
Total equity		**1,030,379**	947,244
Non-current liabilities			
Convertible notes	*32*	**–**	72,532
Redeemable convertible preference shares	*33*	**2,087**	1,815
		2,087	74,347
		1,032,466	1,021,591

Wong Yu Lung, Charles
Director

Ding Chung Keung, Vincent
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	General reserve HK$'000	Statutory surplus reserve HK$'000 *(Note)*	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008	259,796	435,312	3,000	9,928	6,000	1,017	31,628	290,217	1,036,898	77,045	1,113,943
Exchange differences arising on translation	–	–	–	–	–	–	12,094	–	12,094	2,101	14,195
Profit for the year	–	–	–	–	–	–	–	149,404	149,404	16,987	166,391
Total comprehensive income for the year	–	–	–	–	–	–	12,094	149,404	161,498	19,088	180,586
Sub-total	259,796	435,312	3,000	9,928	6,000	1,017	43,722	439,621	1,198,396	96,133	1,294,529
Issue of shares upon exercise of share options	2,160	2,251	–	–	–	–	–	–	4,411	–	4,411
Exercise of share options	–	1,889	–	(1,889)	–	–	–	–	–	–	–
Issue of shares upon conversion of convertible note	5,000	41,112	–	–	–	–	–	–	46,112	–	46,112
Expenses incurred in connection with issue of shares	–	(44)	–	–	–	–	–	–	(44)	–	(44)
Lapse and cancellation of share options	–	–	–	(431)	–	–	–	431	–	–	–
Recognition of equity-settled share-based payments	–	–	–	14,629	–	–	–	–	14,629	–	14,629
Transferred to statutory surplus reserve	–	–	–	–	–	5,605	–	(5,605)	–	–	–
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	7,865	7,865
At 31 March 2009	266,956	480,520	3,000	22,237	6,000	6,622	43,722	434,447	1,263,504	103,998	1,367,502
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	–	118,602	118,602	15,236	133,838
Sub-total	266,956	480,520	3,000	22,237	6,000	6,622	43,722	553,049	1,382,106	119,234	1,501,340
Dividends recognised as distribution	–	–	–	–	–	–	–	(106,783)	(106,783)	–	(106,783)
Issue of shares upon conversion of convertible note	7,500	67,310	–	–	–	–	–	–	74,810	–	74,810
Expenses incurred in connection with issue of shares	–	(30)	–	–	–	–	–	–	(30)	–	(30)
Lapse of share options	–	–	–	(649)	–	–	–	649	–	–	–
Recognition of equity-settled share-based payments	–	–	–	15,191	–	–	–	–	15,191	–	15,191
Transferred to statutory surplus reserve	–	–	–	–	–	4,263	–	(4,263)	–	–	–
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	2,248	2,248
At 31 March 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**

Note: Pursuant to the articles of association of the group companies established in the People's Republic of China ("PRC"), 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 PRC accounting rules and financial regulations 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 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Profit before taxation	**166,151**	211,532
Adjustments for:		
Depreciation of plant and equipment	**4,545**	4,121
Amortisation of intangible assets	**425**	424
Allowance for bad and doubtful debts	**13,744**	35,020
Equity-settled share-based payment expenses	**15,191**	14,629
Finance costs	**20,664**	21,963
Loss on deemed disposal of an associate	**–**	941
Loss on disposal of plant and equipment	**6**	8
Change in fair value of derivative component of convertible note	**(1,209)**	(15,801)
Interest income	**(3,220)**	(9,194)
Share of profits of an associate	**(9,165)**	(7,910)
Effect of foreign exchange rate	**–**	(3,503)
Operating cash flows before movements in working capital	**207,132**	252,230
Decrease (increase) in loan receivables	**6,769**	(40,227)
Increase in account receivables and advances provided to customers	**(249,847)**	(14,232)
Increase in finance lease receivables	**(151,828)**	(18,478)
Decrease in prepayments and deposits	**1,422**	16,541
Increase in security deposits	**(67,547)**	(36,697)
Decrease in other payables and accrued charges	**(14,913)**	(27,658)
Increase in deposits from loan guarantee customers	**40,337**	53,468
Increase in deferred income	**13,454**	12,721
Increase in liabilities arising from loan guarantee contracts	**3,270**	2,776
Increase in deposits from finance lease customers	**2,535**	5,245
Cash (used in) from operations	**(209,216)**	205,689
Hong Kong Profits Tax paid	**–**	(2,484)
PRC Enterprise Income Tax paid	**(24,293)**	(18,624)
Net cash (used in) from operating activities	**(233,509)**	184,581

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Investing activities			
Decrease in consideration receivable from disposal of associates		**20,437**	–
Deposit released (paid)		**11,415**	(11,415)
Decrease (increase) in short term bank deposits with original maturity more than three months		**3,413**	(84,769)
Capital contribution in an associate		**–**	(56,180)
Interest received		**3,220**	8,722
Proceeds from disposal of plant and equipment		**37**	92
Purchase of plant and equipment		**(1,846)**	(4,433)
Net cash from (used in) investing activities		**36,676**	(147,983)
Financing activities			
New loans raised		**400,697**	74,719
Advance from an associate	*17*	**2,282**	17,188
Capital contribution from minority shareholders/ subscription from minority interests		**2,248**	7,865
Proceeds from issue of shares		**–**	4,411
Repayment of bank loans		**(208,562)**	(64,606)
Dividends paid		**(106,783)**	–
Interest paid		**(16,905)**	(12,638)
Expenses paid in connection with the issue of shares		**(30)**	(44)
Net cash from financing activities		**72,947**	26,895
Net (decrease) increase in cash and cash equivalents		**(123,886)**	63,493
Cash and cash equivalents at beginning of the year		**495,083**	429,592
Effect of foreign exchange rate changes		**–**	1,998
Cash and cash equivalents at end of the year		**371,197**	495,083
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**198,559**	337,162
Short term bank deposits with original maturity within three months		**172,638**	157,921
		371,197	495,083

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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 ("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 activities of the Group are provision of financial services. In prior year, the Group was also engaged in the business of property leasing and development which was discontinued in May 2007 (see Note 11).

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public company with the 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 and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

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

New and revised HKFRSs affecting presentation and disclosure only – (continued)

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk.

Except as described above, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

4 Effective for annual periods beginning on or after 1 January 2010

5 Effective for annual periods beginning on or after 1 February 2010

6 Effective for annual periods beginning on or after 1 July 2010

7 Effective for annual periods beginning on or after 1 January 2011

8 Effective for annual periods beginning on or after 1 January 2013

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

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments and Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses 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 relevant 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, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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.

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 carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. 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. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Financial service income mainly consists of interest income from financial assets which 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.

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.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

An item of plant and 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 from derecognition of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the item, is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets with finite useful lives are carried at costs 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.

Gain or loss arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are 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 that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the 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 Company (i.e. Hong Kong dollars) 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 year, 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.

Government grants

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged 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 receivables 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 term of the relevant lease.

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, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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 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 arising on 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 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 rate (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. 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 deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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. Loans and receivables (including consideration receivable from disposal of associates, loan receivables, finance lease receivables, account receivables and advances provided to customers, advances to a subsidiary, amounts due from subsidiaries, 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 loss on financial assets below).

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 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 loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are 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;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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 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 the account receivables and advances provided to customers are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, 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 losses 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 in 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 if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

The Group's financial liabilities include amount due to an associate, other payables, deposits from loan guarantee customers, bank borrowings and deposits from finance lease customers. The Company's financial liabilities include amounts due to subsidiaries and other payables. These financial liabilities of the Group and the Company are subsequently measured at amortised cost, using the effective interest method.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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. 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 (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in 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.

Redeemable convertible preference shares

Preference shares that are redeemable and convertible to ordinary shares at the option of the holder, where the conversion option will result in the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, are accounted for as described in the policy of "Convertible notes containing liability and equity components".

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 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 HKAS 18 "Revenue".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. 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. Provisions are measured at the directors' best estimate of the expenditure required to settle the 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 is material.

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, with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in 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 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 2010, the carrying amount of goodwill is HK$103,686,000 (2009: HK$103,686,000) (see Note 18 for details).

Estimated impairment of loan receivables, finance lease receivables, account receivables and advances provided to customers

When there is objective evidence of impairment loss, the Group takes into consideration the 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, a material impairment loss may arise. As at 31 March 2010, the total carrying amount of loan receivables, finance lease receivables, account receivables and advances provided to customers are HK$1,259,727,000 (2009: HK$878,565,000) (see Note 24 for details of the allowance for bad and doubtful debts).

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. As at 31 March 2010, liabilities arising from the loan guarantee business are HK$10,180,000 (2009: HK$6,910,000). Where the actual default on loan guarantees are higher than expected, a material loss may arise (see Note 29 for details of loan guarantee contracts).

Income taxes

As at 31 March 2010, no deferred tax asset (2009: Nil) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK$156,898,000 (2009: HK$140,697,000) due to the unpredictability of future profit streams. 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. TURNOVER

Turnover represents revenue from the provision of financing service, loan guarantee service and finance lease service in the People's Republic of China (the "PRC") other than Hong Kong.

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Financing service income	**243,667**	245,420
Loan guarantee service income	**51,329**	104,561
Finance lease service income	**11,101**	1,147
	306,097	351,128

6. SEGMENT INFORMATION

The Group early adopted HKFRS 8 in advance of its effective date, with effect from 1 April 2008. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating and reportable segments are as follows:

(a) Provision of financing service including bridge financing, project financing and consultancy service;

(b) Provision of loan guarantee service for guaranteeing loans for consumable purchase, educational fund, residential renovation, mobile phones, motor vehicles, real estate property, etc.; and

(c) Provision of finance lease service.

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

6. SEGMENT INFORMATION (continued)

Information regarding these segments is presented below.

Segment revenues and results

An analysis of the Group's revenue and results by operating segments is as follows:

Year ended 31 March 2010

	Continuing operations				Discontinued operation	
	Financing service HK$'000 *(Note)*	Loan guarantee service HK$'000	Finance lease service HK$'000 *(Note)*	Total HK$'000	Property leasing and development HK$'000	Consolidated HK$'000
Revenue from external customers	243,667	51,329	11,101	306,097	–	306,097
Segment results	175,736	16,643	3,514	195,893	–	195,893
Investment income				3,220	–	3,220
Change in fair value of derivative component of convertible note				1,209	–	1,209
Unallocated corporate income and expenses:						
– other administrative income and expenses				(30,602)	–	(30,602)
– exchange loss				(147)	–	(147)
Finance costs				(12,587)	–	(12,587)
Share of profits of an associate				9,165	–	9,165
Profit before taxation				166,151	–	166,151
Taxation				(32,313)	–	(32,313)
Profit for the year				133,838	–	133,838

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

Year ended 31 March 2009

	Continuing operations				Discontinued operation	
	Financing service HK$'000 *(Note)*	Loan guarantee service HK$'000	Finance lease service HK$'000 *(Note)*	Total HK$'000	Property leasing and development HK$'000	Consolidated HK$'000
Revenue from external customers	245,420	104,561	1,147	351,128	–	351,128
Segment results	147,190	72,041	877	220,108	–	220,108
Investment income				9,193	1	9,194
Change in fair value of derivative component of convertible note				15,801	–	15,801
Unallocated corporate income and expenses:						
– other administrative income and expenses				(31,980)	(171)	(32,151)
– exchange gain				5,133	–	5,133
– reversal of allowance for consideration receivable from disposal of associates				7,500	–	7,500
Finance costs				(21,963)	–	(21,963)
Share of profits of an associate				7,910	–	7,910
Profit (loss) before taxation				211,702	(170)	211,532
Taxation				(45,142)	1	(45,141)
Profit (loss) for the year				166,560	(169)	166,391

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

All of the segment revenue reported above is from external customers.

Segment results represent the profit earned by each segment without allocation of central administration costs, investment income, change in fair value of derivative component of convertible note, finance costs and share of profits of an associate. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Note: Included in segment results are finance costs of HK$8,077,000 (2009: Nil) attributable to the financing service and the finance lease service business.

Segment assets and liabilities

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

Year ended 31 March 2010

	Continuing operations					Discontinued operation	
	Financing service HK$'000	Loan guarantee service HK$'000	Finance lease service HK$'000	Unallocated HK$'000	Total HK$'000	Property leasing and development HK$'000	Consolidated HK$'000
Assets							
Segment assets	1,151,172	195,833	204,255	–	1,551,260	–	1,551,260
Interest in an associate					55,890		55,890
Unallocated assets							480,038
Total assets							2,087,188
Liabilities							
Segment liabilities	37,114	208,321	197,838	–	443,273	–	443,273
Unallocated liabilities							
– bank borrowings							112,360
– deferred taxation							16,816
– corporate liabilities							27,963
Total liabilities							600,412
Amounts included in the measure of segment profit or loss or segment assets:							
Expenditure for reportable segment non-current assets	299	1,316	18	213	1,846	–	1,846
Amortisation of intangible assets	425	–	–	–	425	–	425
Depreciation of plant and equipment	463	2,952	88	1,042	4,545	–	4,545
Allowance for bad and doubtful debts, net	3,380	10,364	–	–	13,744	–	13,744

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Year ended 31 March 2009

	Continuing operations					Discontinued operation	
	Financing service HK$'000	Loan guarantee service HK$'000	Finance lease service HK$'000	Unallocated HK$'000	Total HK$'000	Property leasing and development HK$'000	Consolidated HK$'000
Assets							
Segment assets	937,964	160,709	18,770	–	1,117,443	–	1,117,443
Interest in an associate					63,149		63,149
Unallocated assets							628,886
Total assets							1,809,478
Liabilities							
Segment liabilities	61,072	139,249	5,392	–	205,713	–	205,713
Unallocated liabilities							
– bank borrowings							122,472
– deferred taxation							15,677
– corporate liabilities							98,114
Total liabilities							441,976
Amounts included in the measure of segment profit or loss or segment assets:							
Expenditure for reportable segment non-current assets	724	2,155	258	1,296	4,433	–	4,433
Amortisation of intangible assets	424	–	–	–	424	–	424
Depreciation of plant and equipment	203	3,133	48	735	4,119	2	4,121
Allowance for bad and doubtful debts, net	30,366	4,654	–	–	35,020	–	35,020

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 operating segments other than properties held for sale, club debentures, consideration receivable from disposal of associates, short term bank deposits, bank balances and cash, and certain corporate assets for central administrative uses. All liabilities are allocated to operating segments other than taxation payable, convertible notes, redeemable convertible preference shares and certain corporate liabilities incurred for central administrative purpose.

6. SEGMENT INFORMATION (continued)

Geographical information

In 2009 and 2010, all revenue was generated from the PRC.

As at 31 March 2010, approximately HK$166,762,000 (2009: HK$176,405,000) of non-current assets other than financial instruments and deferred tax assets were located in the PRC. The remaining non-current assets other than financial instruments and deferred tax assets of approximately HK$1,641,000 (2009: HK$2,424,000) were located in Hong Kong.

Information about major customers

The Group's revenue to customers which accounted for 10% or more of its total revenue are as follows:

	2010 **HK$'000**	2009 HK$'000
Customer A in the financing service segment	**34,401**	54,103
Customer B in the financing service segment	**38,000**	–
	72,401	54,103

7. FINANCE COSTS

	2010 **HK$'000**	2009 HK$'000
Interest on borrowings wholly repayable within five years	**16,905**	12,637
Interest on convertible notes	**3,487**	9,089
Interest on redeemable convertible preference shares	**272**	237
	20,664	21,963

8. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation has been arrived at after charging:						
Staff costs	**47,630**	45,713	**–**	–	**47,630**	45,713
Staff's retirement benefits scheme contributions	**2,338**	2,177	**–**	–	**2,338**	2,177
Equity-settled share based payment expenses	**15,191**	14,629	**–**	–	**15,191**	14,629
Total staff costs (including directors' remuneration)	**65,159**	62,519	**–**	–	**65,159**	62,519
Allowance for bad and doubtful debts, net	**13,744**	35,020	**–**	–	**13,744**	35,020
Amortisation of intangible assets (included in other operating expenses)	**425**	424	**–**	–	**425**	424
Auditor's remuneration	**2,687**	2,651	**–**	20	**2,687**	2,671
Depreciation of plant and equipment	**4,545**	4,119	**–**	2	**4,545**	4,121
Loss on disposal of plant and equipment	**6**	8	**–**	–	**6**	8
Operating lease rentals in respect of properties	**11,246**	11,605	**–**	–	**11,246**	11,605
Repairs and maintenance expenses of investment properties	**–**	–	**–**	29	**–**	29
and after crediting:						
Net exchange gain	**1,019**	5,133	**–**	–	**1,019**	5,133
Government subsidy	**4,918**	–	**–**	–	**4,918**	–
Income from club debentures	**–**	68	**–**	–	**–**	68
Interest income	**3,220**	9,193	**–**	1	**3,220**	9,194
Waiver of debts of long outstanding other payables	**3,555**	–	**–**	–	**3,555**	–
Management fee income received from an associate	**13,911**	7,329	**–**	–	**13,911**	7,329
Reversal of allowance for consideration receivable from disposal of associates	**–**	7,500	**–**	–	**–**	7,500

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

The remuneration of each director for the year ended 31 March 2010 is set out below:

	Directors' fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors						
Mr. Wang Jun	–	1,440	–	1,000	3,176	5,616
Mr. Wong Yu Lung, Charles	–	1,560	12	–	3,964	5,536
Mr. Kee Wah Sze	–	960	12	–	–	972
Mr. Lan Ning	–	400	5	–	–	405
Mr. Ding Chung Keung, Vincent	–	1,800	12	2,500	3,964	8,276
Mr. Xie Xiao Qing	–	1,366	29	–	653	2,048
Ms. Wong, Michelle Yatyee	–	620	12	800	757	2,189
Independent non-executive directors						
Mr. Cheng Yuk Wo	120	–	–	–	195	315
Mr. Ma Ho Fai SBS JP	120	–	–	–	–	120
Mr. Melvin Jitsumi Shiraki	60	–	–	–	–	60
Total	300	8,146	82	4,300	12,709	25,537

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

The remuneration of each director for the year ended 31 March 2009 is set out below:

	Directors' fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors						
Mr. Wang Jun	–	1,440	–	1,000	3,176	5,616
Mr. Wong Yu Lung, Charles	–	1,440	12	600	3,176	5,228
Mr. Kee Wah Sze	–	960	12	60	–	1,032
Mr. Lan Ning	–	960	12	–	–	972
Mr. Ding Chung Keung, Vincent	–	1,800	12	2,500	3,588	7,900
Mr. Xie Xiao Qing	–	1,386	31	–	659	2,076
Miss Wong, Michelle Yatyee	–	400	12	500	763	1,675
Independent non-executive directors						
Mr. Cheng Yuk Wo	120	–	–	–	167	287
Mr. Ma Ho Fai SBS JP	120	–	–	–	–	120
Mr. Melvin Jitsumi Shiraki	60	–	–	–	–	60
Total	300	8,386	91	4,660	11,529	24,966

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:

The five highest paid individuals in the Group in both years were all directors of the Company and details of their emoluments are included above.

10. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge (credit) comprises:						
Current tax						
Hong Kong Profits Tax						
– Provision for the current year	**–**	172	**–**	–	**–**	172
– Overprovision in prior years	**–**	–	**–**	(1)	**–**	(1)
PRC Enterprise Income Tax	**31,174**	29,293	**–**	–	**31,174**	29,293
	31,174	29,465	**–**	(1)	**31,174**	29,464
Deferred taxation *(Note 34)*	**1,139**	15,677	**–**	–	**1,139**	15,677
	32,313	45,142	**–**	(1)	**32,313**	45,141

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2010	2009
	HK$'000	HK$'000
Profit before taxation		
Continuing operations	**166,151**	211,702
Discontinued operation	**–**	(170)
	166,151	211,532
Tax at the domestic income tax rate in the PRC of 25% (2009: 25%)	**41,538**	52,883
Tax effect of income not taxable for tax purposes	**(11,187)**	(11,392)
Tax effect of expenses not deductible for tax purposes	**5,631**	9,537
Tax effect of tax losses not recognised	**5,305**	3,292
Tax effect of utilisation of tax losses	**(1,064)**	(213)
Effect from tax rates of different jurisdictions	**(6,753)**	(9,292)
Effect of income tax on concessionary rates for certain subsidiaries	**(1,683)**	(2,807)
Overprovision in prior years	**–**	(1)
Others	**526**	3,134
Taxation charge for the year	**32,313**	45,141

11. DISCONTINUED OPERATION

In February 2007, the Group entered into sale and purchase agreements with an independent third party to dispose of the investment properties (the "Transactions"). The Transactions were completed in May 2007. The details of the Transactions are disclosed in the circular dated 28 March 2007 issued by the Company.

According to the sale and purchase agreements of the Transactions, upon the completion of the Transactions, Apex Honour Limited procured that Perfect Manor Limited (as licensee) (the "Licensee"), the Company (as guarantor) and the purchaser (as licensor) (the "Licensor") to enter into the licence agreement ("Licence Agreement"), as annexed to the sale and purchase agreements, pursuant to which the Licensor will lease to and the Licensee will lease certain areas of the exterior wall (the "Licensed Area") from the Licensor. Apex Honour Limited and Perfect Manor Limited are wholly owned subsidiaries of the Company.

Pursuant to the Licence Agreement, the Licensee will perform its duty under the Licence Agreement to install and maintain new signs and signage on the Licensed Area for advertising purpose in such format and structure to the satisfaction of the purchaser and obtain all necessary approvals from relevant regulatory authorities.

The above duty was fulfilled and the Licence Agreement was terminated in November 2008. The disposal of the exterior walls was completed.

As a result of the above Transactions, the property leasing and development business is classified as a discontinued operation.

The loss for the year from the discontinued operation is analysed as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Direct outgoings	**–**	(24)
Other income	**–**	141
Other operating expenses	**–**	(287)
Loss before taxation	**–**	(170)
Taxation	**–**	1
Loss for the year	**–**	(169)

During the year ended 31 March 2009, the property leasing and development business utilised HK$170,000 (2010: Nil) of the Group's net operating cash flows.

12. DIVIDEND

	2010 HK$'000	2009 HK$'000
Dividends recognised as distribution and paid during the year:		
Final dividends of HK4 cents per share in respect of the year ended 31 March 2009	**106,783**	–

A final dividend of HK2 cents (2009: HK4 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company.

13. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2010 HK$'000	2009 HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**118,602**	149,404
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible note	**–**	(15,801)
Interest on convertible notes	**–**	9,089
Earnings for the purpose of diluted earnings per share	**118,602**	142,692
Number of shares:	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,705,111**	2,631,025
Effect of dilutive potential ordinary shares:		
Share options	**19,892**	14,723
Convertible notes	**–**	110,479
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,725,003**	2,756,227

The calculation of diluted earnings per share for the year ended 31 March 2010 did not include the effect of the conversion of the convertible notes since the assumed conversion of the Company's outstanding convertible notes would result in an increase in earnings per share.

13. EARNINGS PER SHARE (continued)

From continuing operations

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

	2010	2009
	HK$'000	HK$'000
Earnings:		
Profit for the year attributable to owners of the Company	**118,602**	149,404
Add: Loss for the year from discontinued operation	**–**	169
Earnings for the purpose of basic earnings per share from continuing operations	**118,602**	149,573
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible note	**–**	(15,801)
Interest on convertible notes	**–**	9,089
Earnings for the purpose of diluted earnings per share from continuing operations	**118,602**	142,861

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

The calculation of diluted earnings per share for the year ended 31 March 2010 did not include the effect of the conversion of the convertibles notes since the assumed conversion of the Company's outstanding convertible notes would result in an increase in earnings per share.

From discontinued operation

Basic loss per share from discontinued operation in 2009 was HK0.0064 cents, based on the loss for the year 2009 from the discontinued operation of HK$169,000 and denominator detailed above. The diluted loss per share in 2009 was HK0.0061 cents, which is anti-dilutive.

14. PLANT AND EQUIPMENT

	Furniture, fixtures and other fixed assets	
	2010	2009
	HK$'000	HK$'000
THE GROUP		
COST		
At 1 April	**17,900**	13,722
Exchange adjustments	**–**	328
Additions	**1,846**	4,433
Disposals	**(519)**	(583)
At 31 March	**19,227**	17,900
ACCUMULATED DEPRECIATION		
At 1 April	**7,996**	4,231
Exchange adjustments	**–**	127
Charge for the year	**4,545**	4,121
Eliminated on disposals	**(476)**	(483)
At 31 March	**12,065**	7,996
NET CARRYING VALUES		
At 31 March	**7,162**	9,904
THE COMPANY		
COST		
At 1 April	**3,470**	2,126
Exchange adjustments	**–**	48
Additions	**213**	1,296
At 31 March	**3,683**	3,470
ACCUMULATED DEPRECIATION		
At 1 April	**1,046**	421
Exchange adjustments	**–**	12
Charge for the year	**996**	613
At 31 March	**2,042**	1,046
NET CARRYING VALUES		
At 31 March	**1,641**	2,424

The above items of plant and equipment are depreciated on a straight line basis at the rates of 20% to $33^1/_3$% per annum.

15. INTEREST IN SUBSIDIARIES/ADVANCES TO A SUBSIDIARY/AMOUNTS DUE FROM SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

	THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**197,075**	197,075
Deemed capital contributions	**19,261**	19,261
	216,336	216,336
Impairment losses recognised	**(200,584)**	(80,059)
	15,752	136,277
Advances to a subsidiary	**131,744**	114,203
Amounts due from subsidiaries	**608,724**	664,039
	740,468	778,242

Particulars of the principal subsidiaries at 31 March 2010 are set out in Note 42.

Impairment losses of HK$3,509,000 (2009: HK$3,509,000) and HK$197,075,000 (2009: HK$76,550,000) were made for the deemed capital contribution and the cost of the unlisted shares respectively since the relevant subsidiaries were inactive and the respective deemed capital contribution and the cost of the unlisted shares were considered as non-recoverable.

The advances to a subsidiary are denominated in Hong Kong dollars and are unsecured. Included in the advances is an amount of HK$13,325,000 (2009: HK$10,683,000) which is interest bearing at 35% (2009: 35%) per annum and will be repayable within one year. The remaining advances are interest free and repayable on demand.

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

The Company had amounts due to subsidiaries of HK$148,917,000 as at 31 March 2009 which were denominated in Hong Kong dollars, unsecured, interest free and repayable on demand.

16. CONSIDERATION RECEIVABLE FROM DISPOSAL OF ASSOCIATES

On 3 July 2007, Flourish Global Limited ("Flourish Global"), a wholly owned subsidiary of the Company, entered into a conditional equity purchase agreement with independent third parties to dispose of Flourish Global's entire 20% equity interest in Goldbond Capital Holdings Limited ("GCHL") at a consideration of US$10,240,000, equivalent to approximately HK$79,874,000. Consideration receivable of US$7,730,000, equivalent to approximately HK$60,295,000 was received in October 2007. The remaining balance was fully settled in October 2009 in accordance with the escrow agreement signed between Flourish Global, other shareholders of GCHL and the buyer. The details of the escrow agreement are disclosed in the circular dated 27 July 2007 issued by the Company.

17. INTEREST IN AN ASSOCIATE/AMOUNT DUE TO AN ASSOCIATE

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Cost of investment in an associate, unlisted	**56,180**	56,180
Share of post acquisition profit, net of dividends received	**(290)**	7,910
Deemed partial disposal of associate	**–**	(941)
	55,890	63,149

Particulars of the associate as at 31 March 2010 and 2009 are as follows:

Name of associate	Form of business structure	Place of establishment and operation	Proportion of registered capital 2010	Proportion of registered capital 2009	Effective ownership interest indirectly held by the Company 2010	Effective ownership interest indirectly held by the Company 2009	Particulars of voting power held by the Group 2010	Particulars of voting power held by the Group 2009	Principal activity
武漢融眾高成長投資中心*	Limited partnership	The PRC	**RMB114,900,000**	RMB182,900,000	**30.90%**	19.41%	**43.52%**	27.34%	Investment funds

* The associate is held by a 71% owned subsidiary of the Company and has a financial year ending of 31 December. According to the relevant PRC Income Tax Laws and Guidance, this associate is not subject to PRC Enterprise Income Tax, which should be borne by the partners of this associate based on income then derived. The Group is able to exercise significant influence over the associate because it has 43.52% of the voting power in the partnership.

Strategic partners redeemed their capital from the associate throughout the year in various phases. The Group's interest in the associate was increased from 27.34% to 43.52% during the year.

Strategic partners contributed capital to the associate throughout the prior year in various phases. The Group's interest in the associate was diluted from the original 46.1% to 27.34% ultimately and a loss on deemed disposal of an associate of HK$941,000 was recognised in the consolidated statement of comprehensive income in the prior year.

17. INTEREST IN AN ASSOCIATE/AMOUNT DUE TO AN ASSOCIATE (continued)

Summarised financial information on associate

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

	2010	2009
	HK$'000	HK$'000
Total assets	**150,294**	231,044
Total liabilities	**(21,860)**	(44)
Net assets attributable to the owners of an associate	**128,434**	231,000
Group's share of net assets of an associate	**55,890**	63,149
Revenue	**43,399**	32,930
Profit for the year	**31,583**	25,495
Group's share of results of an associate for the year	**9,165**	7,910

During the year the associate declared a dividend, of which the Group's entitlement was HK$16,424,000 (2009: Nil). The dividend was set off against the amount due to the associate. As at 31 March 2010, the amount due to the associate is HK$3,046,000 (2009: HK$17,188,000) and this is unsecured, interest free and repayable on demand.

18. GOODWILL

THE GROUP

	HK$'000
At 1 April 2008, at 31 March 2009 and at 31 March 2010	103,686

Notes:

(a) On 15 August 2007, Perfect Honour Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Yong Hua International Limited, the minority shareholder of Rongzhong Group Limited ("Rongzhong"), to acquire an additional 20% issued share capital of Rongzhong, a then 51% owned subsidiary of the Company, at the consideration of HK$135,000,000. The consideration was satisfied by the issue of a zero coupon convertible note in the principal amount of HK$135,000,000 by the Company. The acquisition was completed in October 2007. The fair value of this convertible notes was HK$135,000,000 at the date of completion and a goodwill of HK$103,686,000 was recognised.

18. GOODWILL (continued)

Notes: (continued)

(b) Goodwill from acquisition of additional interest in a subsidiary is allocated to Rongzhong, a cash generating unit ("CGU") in financial services.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculations are those regarding the 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. Changes in service charges and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecast derived from the respective most recent financial budget for the next four years approved by management using a discount rate of 6.28% (2009: 9.45%) which reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rate per annum is approximately 10% (2009: 5%) in light of the Group's industry growth forecast. This growth rate does not exceed the average long-term growth rate for the relevant industry. No impairment loss was considered necessary.

19. INTANGIBLE ASSETS

	Pawn shop licences HK$'000
THE GROUP	
COST	
At 1 April 2008	2,747
Exchange adjustments	62
At 31 March 2009 and at 31 March 2010	2,809
AMORTISATION	
At 1 April 2008	288
Exchange adjustments	7
Charge for the year	424
At 31 March 2009	719
Charge for the year	425
At 31 March 2010	1,144
NET CARRYING VALUES	
At 31 March 2010	1,665
At 31 March 2009	2,090

The pawn shop licences have finite useful lives and the costs are amortised on a straight line basis over their estimated useful lives of six to seven years.

20. LOAN RECEIVABLES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Loan receivables	**161,220**	167,989
Analysed for reporting purposes as:		
Current assets	**161,220**	–
Non-current assets	**–**	167,989
	161,220	167,989

On 6 September 2007, Famous Apex Limited ("Famous Apex"), a wholly owned subsidiary of the Company, entered into loan agreements to provide financing of RMB100,000,000 to 珠海市保利三好有限公司 ("Poly Sanhao") (the "First Loan") and RMB15,000,000 to Worldpro International Investment Limited ("Worldpro") (the "Second Loan") for financing the development of properties in the PRC. These loans were disbursed to the borrowers in January 2008 and will be repayable in full in January 2011. Poly Sanhao and Worldpro are independent third parties of the Group.

The First Loan is interest bearing at 10% per annum and is secured by the followings:

(a) a mortgage of 85% equity interest in 珠海市中廣置業有限公司 ("China-King") as owned by Poly Sanhao;

(b) a mortgage of the 51% equity interest in Poly Sanhao owned by Worldpro; and

(c) a personal guarantee by the beneficial owner ("Mr. Wu") of the entire equity interest in 珠海市三好房地產開發有限公司, which holds a 40% equity interest in Poly Sanhao, in favour of Famous Apex.

The Second Loan is interest bearing at 40% per annum and is secured by the followings:

(a) a first fixed and floating charge on all assets including, among others, any land and properties, intellectual property rights, receivables and securities legally and/or beneficially owned by Worldpro;

(b) a mortgage of the entire issued share capital of Worldpro and assignment and subordination of all loans owing from Worldpro to the beneficial owner of the entire equity interest in Worldpro ("Mr. Chan");

(c) Mr. Chan's personal guarantee in favour of Famous Apex; and

(d) Mr. Wu's personal guarantee in favour of Famous Apex.

20. LOAN RECEIVABLES (continued)

On 2 January 2009, Worldpro, Mr. Chan and Mr. Wu executed a supplemental deed of undertaking ("Supplemental Deed") in favour of Famous Apex and Birdsong Management Limited ("Birdsong", another wholly owned subsidiary of the Company). Under the Supplemental Deed, Famous Apex granted China-King, the consent to charge or mortgage its property for the purpose of obtaining finance. The Group would receive a sum of RMB28,000,000 for this arrangement. During the year ended 31 March 2009, the Group received RMB500,000 relating to the Supplemental Deed. The remaining balance ("remaining balance") will be due upon the settlement of the loans.

On 29 June 2009, a revised Supplemental Deed ("Revised Deed") was signed by Mr. Wu in favour of Famous Apex. Under the Revised Deed, the remaining balance has been revised from RMB27,500,000 to RMB15,000,000 and will be settled by three instalments of RMB5,000,000 each during the loan period.

On 11 August 2009, Famous Apex and Birdsong entered into a new agreement ("New Agreement") with Poly Sanhao, Worldpro and other relevant parties who are independent third parties of the Group, in relation to the revised repayment schedule of the First Loan and the Second Loan with an aggregate amount of approximately RMB137,800,000. As a pre-requisite condition for entering into the New Agreement, Worldpro made the repayment of RMB14,000,000.

Pursuant to the New Agreement, Poly Sanhao and Worldpro are obliged to settle the outstanding amount by way of three instalments on or before 31 December 2010. Within 30 days from the date of the first instalment from Worldpro or the date the first instalment from Poly Sanhao is received by Famous Apex (whichever is later, if not on the same day), the equity interest in China-King pledged by Poly Sanhao in favour of Famous Apex in respect of the First Loan will be reduced from 85% to 50%.

Upon all the payments and other obligations set out in the New Agreement having been fulfilled, Famous Apex will release the mortgage of the equity interest in China-King, the mortgage of the equity interest in Poly Sanhao and the security provided under the other security documents in accordance with their respective terms.

21. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS

The Group provides finance lease service in the PRC. All interest rates inherent in the leases are fixed at the respective contract dates over the lease terms.

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**72,530**	10,408	**55,424**	8,235
In more than one year but not more than five years	**128,920**	11,361	**114,882**	10,243
	201,450	21,769	**170,306**	18,478
Less: Unearned finance income	**(31,144)**	(3,291)		
Present value of minimum lease payment	**170,306**	18,478		
Analysed for reporting purposes as:				
Current assets			**55,424**	8,235
Non-current assets			**114,882**	10,243
			170,306	18,478

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

The effective interest rates of the above finance leases are from 11.3% to 36.3% (2009: 11.6% to 36.3%) per annum.

Finance lease receivables are secured over the equipment leased and deposits of approximately HK$7,780,000 (2009: HK$5,245,000) placed by the customers which are repayable upon the end of the lease period or to be used to set off part of the outstanding instalments. No contingent rent arrangement were made for both years.

22. 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.

23. PROPERTIES HELD FOR SALE

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Properties held for sale, at cost	**9,000**	9,000

The properties held for sale comprise properties in the Wuhan region, the PRC. It is not the Group's intention to hold these properties in the long term for capital appreciation or rental income.

24. ACCOUNT RECEIVABLES AND ADVANCES PROVIDED TO CUSTOMERS

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Advances provided to customers *(Note a)*	**762,240**	615,793
Account receivables *(Note b)*	**204,878**	106,796
	967,118	722,589
Less: Allowance for bad and doubtful debts		
– advances provided to customers	**(23,065)**	(25,003)
– account receivables	**(15,852)**	(5,488)
	928,201	692,098

Notes:

For the financial service business, the Group provides loans of varying terms, ranging from 30 days to a maximum of 180 days, to its customers.

(a) The advances provided to customers bear fixed coupon interest at a rate of 4.8% (2009: 4.8%) per annum and are repayable according to the loan agreements which usually cover periods of one to six months. Included in the balances are loan receivables from pawnshop customers, entrusted loans through banks, receivables from loan guarantee customers of approximately HK$695,365,000 (2009: HK$533,545,000) secured by pawned assets and assets placed by customers such as properties and equity interests in certain private PRC entities, and advances to employees of approximately HK$43,810,000 (2009: HK$57,245,000) secured by the entire equity interest in a company owned by the employees. This company is incorporated and engaged in mining business in the PRC. The advances to employees bear fixed interest at a rate of 6% (2009: 6%) per annum and repayable within one year. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the customers.

(b) Account receivables mainly include management fee receivables and interest income receivable from customers on the advances provided to customers. Interest income receivable from customers will be settled together with the loan principal when the loans are matured.

24. ACCOUNT RECEIVABLES AND ADVANCES PROVIDED TO CUSTOMERS (continued)

The following is an aging analysis of account receivables and advances provided to customers:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Outstanding balances aged:		
– within one month	**341,327**	129,323
– more than one month but less than three months	**104,577**	169,948
– more than three months but less than six months	**121,119**	155,883
– more than six months	**361,178**	236,944
	928,201	692,098

The Group has set up a credit team in each location responsible for the evaluation of customers' credit rating to ensure that all customers have healthy financial background and adequate repayment abilities. Management has set up the credit limits which are subject to the discretionary power of the general managers of each location. Any further extension of credit beyond these approval limits has to be first approved by senior management and then by the directors of Rongzhong. The credit teams are also required to take follow-up action where customers have defaulted on the repayment of loans to banks and on the repayment of advances from the Group. Management considers the receivables that are neither past due nor impaired to be of a good credit quality.

Account receivables and advances provided to customers are assessed for impairment individually. Management considers the repayment history and the values of the assets pledged in the impairment review. Included in the Group's account receivables and advances provided to customers are debtors with an aggregate carrying amount of HK$227,902,000 (2009: HK$253,255,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the debtors are considered to be of good quality. Included in the balances are amounts with an aggregate carrying amount of HK$226,718,000 (2009: HK$251,766,000) which are secured by assets pledged by customers.

The following is an aging analysis of account receivables and advances provided to customers which are past due but not impaired:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Less than one month	**2,014**	24,994
More than one month but less than three months	**2,213**	26,834
More than three months but less than six months	**565**	69,506
More than six months	**223,110**	131,921
	227,902	253,255

24. ACCOUNT RECEIVABLES AND ADVANCES PROVIDED TO CUSTOMERS (continued)

Movement in the allowance for bad and doubtful debts

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**30,491**	12,996
Currency realignment	**–**	341
Impairment losses recognised	**18,196**	36,921
Impairment losses reversed	**(4,452)**	(1,901)
Amounts written off as uncollectible	**(5,318)**	(17,866)
Balance at end of the year	**38,917**	30,491

25. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the financial service business in the PRC. The security deposits carry interest at prevailing market rates of 0.36% (2009: 0.36% to 0.72%) per annum.

26. SHORT TERM BANK DEPOSITS/BANK BALANCES AND CASH

All bank deposits of the Group and the Company carry interest at prevailing market rates which range from 0.001% to 0.65% and 0.001% to 0.65% (2009: 0.01% to 3.51% and 0.01% to 1.90%) 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:

		THE GROUP		THE COMPANY	
	Currency	**2010**	2009	**2010**	2009
		HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	HKD	**36,929**	45,996	**36,594**	31,884
United States dollars	USD	**222,484**	209,583	**222,426**	209,525

27. DEFERRED INCOME

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Non-current	**21,274**	14,110
Current	**29,027**	22,737
	50,301	36,847

Deferred income represents income received under the loan guarantee business which is amortised and recognised as revenue on a straight line basis over the guarantee period.

28. BANK BORROWINGS

	2010	2009
	HK$'000	HK$'000
Bank loans	**314,607**	122,472
Secured	**224,719**	122,472
Unsecured	**89,888**	–
	314,607	122,472
Carrying amount repayable:		
On demand or within one year	**52,809**	122,472
More than one year, but not exceeding two years	**203,933**	–
More than two year, but not exceeding five years	**57,865**	–
	314,607	122,472
Less: Amounts due within one year shown under current liabilities	**(52,809)**	(122,472)
	261,798	–

At 31 March 2010, the Group's bank borrowings of HK$292,135,000 are variable-rate borrowings which carry annual interest at the range of the rate offered by the People's Bank of China ("PBOC") to 120% of the rate offered by the PBOC and the remaining balance of HK$22,472,000 is fixed-rate borrowing which carries annual interest at 9%. At 31 March 2009, the Group's bank borrowings were fixed-rate borrowings which carried annual interests at the range of rate offered by the PBOC to 125% of the rate offered by the PBOC.

28. BANK BORROWINGS (continued)

The Group's banking facilities are granted by several banks in the PRC and Hong Kong, which are secured by the following items:

(a) A bank loan of RMB100,000,000 equivalent to approximately HK$112,360,000 (2009: RMB100,000,000 equivalent to approximately HK$112,360,000) is secured by charges over the Group's and the minority shareholders' interests in Rongzhong Investment Group Limited ("Rongzhong Investment"), a non-wholly owned subsidiary of the Company. The Company, Rongzhong Investment and a director of GGHL had given guarantees to the bank for the granting of the above borrowing of not more than RMB100,000,000 in aggregate, which was fully utilised as at 31 March 2010. The guarantee provided by the Company was in proportion to its equity interest in the borrower.

(b) Bank loans of RMB80,000,000 equivalent to approximately HK$89,888,000 (2009: Nil) are secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of approximately HK$90,186,000.

(c) A bank loan of RMB20,000,000 equivalent to approximately HK$22,472,000 was secured by shareholdings of a subsidiary of the Group.

(d) As at 31 March 2009, a bank loan of RMB9,000,000 equivalent to approximately HK$10,112,000 was secured by the properties held for sale with an aggregate carrying value of RMB8,010,000 equivalent to approximately HK$9,000,000. This bank loan was fully utilised by Wuhan City Rongzhong Investment Guarantee Co. Ltd., a non-wholly owned subsidiary of the Company, as at 31 March 2009.

(e) As at 31 March 2009, the Group executed a floating charge over the interest in subsidiaries and certain assets of a subsidiary of the Group with an aggregate carrying value of HK$527,050,000 and HK$176,574,000 respectively in favour of a bank for banking facilities granted. As at 31 March 2009, the facilities have not been utilised. The floating charge was subsequently discharged in May 2009.

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

29. LIABILITIES ARISING FROM LOAN GUARANTEE CONTRACTS

As at 31 March 2010, the Group provided loan guarantees of RMB3,500,113,000 equivalent to approximately HK$3,932,711,000 (2009: RMB2,510,018,000 equivalent to approximately HK$2,820,245,000) to customers under the loan guarantee service business. Liabilities arising from the loan guarantee business represent the management's best estimate of the Group's liability based on prior experience and default history of the business.

30. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2008, 31 March 2009 and 31 March 2010	25,000,000	2,500,000
Issued and fully paid:		
At 1 April 2008	2,597,963	259,796
Issue of shares upon exercise of share options *(Note a)*	21,600	2,160
Issue of shares upon conversion of convertible note *(Note b)*	50,000	5,000
At 31 March 2009	2,669,563	266,956
Issue of shares upon conversion of convertible note *(Note c)*	75,000	7,500
At 31 March 2010	**2,744,563**	**274,456**

Notes:

(a) In prior year, 1,600,000 and 20,000,000 share options were exercised at a subscription price of HK$0.132 and HK$0.210 per share respectively, resulting in the issue of 21,600,000 ordinary shares of HK$0.10 each in the Company.

(b) In prior year, convertible note with a nominal value of HK$54,000,000 was converted into 50,000,000 ordinary shares at a conversion price of HK$1.08 per ordinary share.

(c) During the year, convertible note with a nominal value of HK$81,000,000 was converted into 75,000,000 ordinary shares at a conversion price of HK$1.08 per ordinary share.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

31. RESERVES

	Share premium HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	General reserve HK$'000	Translation reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
THE COMPANY							
At 1 April 2008	435,312	3,000	9,928	6,000	24,792	(56,676)	422,356
Exchange differences arising on translation	–	–	–	–	10,392	–	10,392
Profit for the year	–	–	–	–	–	189,592	189,592
Total comprehensive income for the year	–	–	–	–	10,392	189,592	199,984
Sub-total	435,312	3,000	9,928	6,000	35,184	132,916	622,340
Issue of shares upon exercise of share options	2,251	–	–	–	–	–	2,251
Exercise of share options	1,889	–	(1,889)	–	–	–	–
Issue of shares upon conversion of convertible note	41,112	–	–	–	–	–	41,112
Expenses incurred in connection with issue of shares	(44)	–	–	–	–	–	(44)
Lapse and cancellation of share options	–	–	(431)	–	–	431	–
Recognition of equity-settled share-based payments	–	–	14,629	–	–	–	14,629
At 31 March 2009	480,520	3,000	22,237	6,000	35,184	133,347	680,288
Profit for the year and total comprehensive income for the year	–	–	–	–	–	99,947	99,947
Sub-total	480,520	3,000	22,237	6,000	35,184	233,294	780,235
Dividends recognised as distribution	–	–	–	–	–	(106,783)	(106,783)
Issue of shares upon conversion of convertible note	67,310	–	–	–	–	–	67,310
Expenses incurred in connection with issue of shares	(30)	–	–	–	–	–	(30)
Lapse of share options	–	–	(649)	–	–	649	–
Recognition of equity-settled share-based payments	–	–	15,191	–	–	–	15,191
At 31 March 2010	**547,800**	**3,000**	**36,779**	**6,000**	**35,184**	**127,160**	**755,923**

32. CONVERTIBLE NOTES

On 2 October 2007, the Company issued a zero coupon convertible note ("Convertible Note") with the principal amount of HK$135,000,000 to Yong Hua International Limited, a related company, to acquire an additional 20% issued share capital of Rongzhong (as detailed in Note 18). The Convertible Note will mature on 2 October 2010. It may be converted into ordinary shares of the Company by phases commencing from 2 October 2009 at a conversion price of HK$1.08 per ordinary share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the Convertible Note shall be converted into 125,000,000 ordinary shares of the Company.

During the year, Convertible Note with a nominal value of HK$81,000,000 (2009: HK$54,000,000) was converted by the note holder into 75,000,000 (2009: 50,000,000) ordinary shares at a conversion price of HK$1.08 per ordinary share. Hence, the Convertible Note has now been fully converted into ordinary shares.

Before conversion, the Convertible Note contained two components, a liability component and a conversion option derivative. The effective interest rate of the liability component was 9.19% per annum. The conversion option derivative was measured at fair value with changes in fair value recognised in profit or loss.

THE GROUP AND THE COMPANY

The movement of the liability component and conversion option derivative of the Convertible Note is set out as below:

	Liability component	**Conversion option derivative**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2008	107,286	18,070	125,356
Interest charge	9,089	–	9,089
Gain arising on changes of fair value	–	(15,801)	(15,801)
Conversion during the year	(45,807)	(305)	(46,112)
At 31 March 2009	70,568	1,964	72,532
Interest charge	3,487	–	3,487
Gain arising on changes of fair value	–	(1,209)	(1,209)
Conversion during the year	(74,055)	(755)	(74,810)
At 31 March 2010	**–**	**–**	**–**

32. CONVERTIBLE NOTES (continued)

Fair value of conversion option derivative and assumptions

The estimate of the fair value of the conversion option derivative is measured based on a trinomial lattice model. Details of the assumptions of conversion option derivative are as follows:

Date of valuation	**9.10.2009 (date of conversion)**	31.3.2009	15.12.2008 (date of conversion)	31.3.2008	2.10.2007 (date of issue)
Share price (HK$)	**0.495**	0.35	0.36	0.52	0.72
Exercise price (HK$)	**1.08**	1.08	1.08	1.08	1.08
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	**55.774%**	73.174%	71.151% to 79.084%	81.400% to 92.485%	71.350% to 81.470%
Maturity period	**3 years**	3 years	3 years	3 years	3 years
Conversion period	**1 – 2 years**	1 – 2 years	1 – 2 years	1 – 2 years	1 – 2 years

33. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

THE GROUP AND THE COMPANY

At 31 March 2010, 68,400,000 preference shares were in issue (2009: 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 with no conversion since then.

The preference shares were split into liability and equity components of HK$811,000 and HK$6,029,000, respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is carried at amortised cost and the equity component has been included in retained profits since the conversion rights lapsed in 2004. The effective interest rate of the liability component is 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 prior 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 2008	–	–	–	–
Debit (credit) to profit or loss *(Note 10)*	32,511	(9,212)	(7,622)	15,677
At 31 March 2009	32,511	(9,212)	(7,622)	15,677
Debit (credit) to profit or loss *(Note 10)*	6,463	(3,217)	(2,107)	1,139
At 31 March 2010	**38,974**	**(12,429)**	**(9,729)**	**16,816**

At 31 March 2010, the Group had unrecognised tax losses of approximately HK$174,892,000 (2009: HK$152,419,000) 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$156,898,000 (2009: HK$140,697,000) that may be carried forward indefinitely and the remaining balance will expire at various dates in the coming five years.

Deferred taxation has not been provided for in the financial statements in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in the PRC amounting to HK$317,590,000 (2009: HK$219,063,000) starting from 1 January 2008 under the New Law of the PRC that requires withholding tax upon the distribution of such profits to the shareholders 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.

THE COMPANY

At 31 March 2010, the Company has unrecognised tax losses of approximately HK$156,640,000 (2009: HK$140,439,000) 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of 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 and new share issues.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		**THE COMPANY**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**1,888,899**	1,599,906	**999,610**	1,019,825
Available-for-sale club debentures	**16,545**	16,545	**16,545**	16,545
Financial liabilities				
Amortised cost	**491,806**	354,346	**2,098**	224,892
Derivative instruments	**–**	1,964	**–**	1,964
Loan guarantee contracts	**10,180**	6,910	**–**	–

Financial risk management objectives and policies

The Group and the Company's major financial instruments include deposits, loan receivables, finance lease receivables, consideration receivable from disposal of associates, club debentures, account receivables and advances provided to customers, security deposits, short term bank deposits, bank balances and cash, amount due to an associate, other payables, deposits from loan guarantee customers, bank borrowings, deposits from finance lease customers, convertible notes and redeemable convertible preference shares. Details of the financial instruments are disclosed in the respective notes. 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. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

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 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 are as follows:

		Assets		Liabilities	
	Currency	**2010**	2009	**2010**	2009
		HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	HKD	**75,529**	47,086	**2,098**	75,976
United States dollars	USD	**222,538**	209,731	**–**	–

THE COMPANY

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

		Assets		Liabilities	
	Currency	**2010**	2009	**2010**	2009
		HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	HKD	**777,131**	810,148	**2,098**	224,893
United States dollars	USD	**222,480**	209,673	**–**	–

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

The Group is mainly exposed to USD and HKD.

The following table details the Group'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 a decrease 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 decrease in profit for the year is mainly attributable to the exposure on outstanding bank balances denominated in USD and HKD at the year end.

	USD impact		**HKD impact**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease (increase) in profit for the year	**11,127**	10,487	**3,672**	(1,445)

THE COMPANY

The Company is mainly exposed to USD and HKD.

The following table details the Company's sensitivity to a 5% increase and decrease in RMB 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 a decrease 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 decrease in profit for the year is mainly attributable to the exposure on outstanding bank balances and intercompany balances denominated in HKD at the year end.

	USD impact		**HKD impact**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease in profit for the year	**11,124**	10,484	**38,752**	29,263

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 fluctuations 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 loan receivables, finance lease receivables, consideration receivable from disposal of associates, account receivables and advances provided to customers, security deposits, deposits from loan guarantee customers, fixed-rate bank deposits, fixed-rate borrowings, deposits from finance lease customers, convertible notes and redeemable convertible preference shares (see Notes 20, 21, 16, 24, 25, 26, 28, 32 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 bank deposits and bank borrowings (see Notes 26 and 28 for details of these financial instruments respectively). The management of the Group 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 assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the rates offered by the PBOC which are denominated in RMB.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2009:50 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 (2009:50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2010 would decrease/increase by HK$581,000 (2009:HK$960,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

THE COMPANY

The Company is exposed to fair value interest rate risk in relation to advances to a subsidiary, fixed-rate bank deposits, convertible notes and redeemable convertible preference shares (see Notes 15, 26, 32 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). 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 2010, the Group's maximum exposure to credit risk which will 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 guarantee issued by the Group as disclosed in Note 29 and Note 39.

At 31 March 2010, the Company's maximum exposure to credit risk in the event of that counterparties fail to perform their obligations as at 31 March 2010 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 loan receivables, finance lease receivables, account receivables 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 loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group and the Company's credit risk is significantly reduced.

The Group's exposure in relation to the loan guarantee business is the failure of the counterparties to perform their obligations to repay to the banks on time as detailed in Note 39. In order to minimise the credit risk in relation to the loan guarantee business, the Group has set up a credit team in each location responsible for the evaluation of customers' credit rating to ensure that all customers have healthy financial backgrounds and adequate repayment ability. Management has set up the credit limits which are subject to the discretionary power of the general managers of each location. Any further extension of credit beyond these approval limits has to be first approved by senior management and then by the directors of Rongzhong. The credit teams are also required to take follow-up action where customers have defaulted on the repayment of loans to banks.

The loan guarantees are granted by the Group mainly in respect of property and automobile loans granted by the banks to corporates and individuals in the PRC. Around 96% (2009: 91%) of the loan guraantee amounts are secured by assets pledged by customers.

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 loan receivables, finance lease receivables and advances provided to customers ("the receivables") as at 31 March 2010 is mainly from five major customers which accounted for 29.9% (2009: 41.5%) of the receivables mainly from the PRC. The Group has closely monitored the recoverability of the advances to customers and taken effective measures to ensure timely collection of outstanding balances.

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

THE GROUP AND THE COMPANY (continued)

The Company's concentration of credit risk on receivables as at 31 March 2010 is mainly from the advances to a subsidiary and 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.

The Group's concentration of geographical risk on turnover is mainly from the PRC which accounted for 100% (2009: 100%) of the total turnover. The Group has closely monitored the business performance and diversified its customer bases.

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 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 based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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$'000	Carrying amount at 31.3.2010 HK$'000
2010									
Non-derivative financial liabilities									
Amount due to an associate	–	3,046	–	–	–	–	–	3,046	3,046
Other payables	–	1,382	19,324	9,305	1,258	–	–	31,269	31,269
Deposits from loan guarantee customers	–	–	133,017	–	–	–	–	133,017	133,017
Loan guarantee contracts	–	–	3,932,711	–	–	–	–	3,932,711	10,180
Bank borrowings	6.28	–	4,825	15,877	50,373	217,419	63,634	352,128	314,607
Deposits from finance lease customers	6.13	–	–	–	–	7,503	863	8,366	7,780
Redeemable convertible preference shares	13.97	–	–	–	–	–	684,000	684,000	2,087
		4,428	4,089,877	25,182	51,631	224,922	748,497	5,144,537	501,986

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

THE GROUP (continued)

Liquidity tables (continued)

	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$'000	Carrying amount at 31.3.2009 HK$'000
2009									
Non-derivative financial liabilities									
Amount due to an associate	–	17,188	–	–	–	–	–	17,188	17,188
Other payables	–	1,136	25,233	14,994	3,015	–	–	44,378	44,378
Deposits from loan guarantee customers	–	–	92,680	–	–	–	–	92,680	92,680
Loan guarantee contracts	–	–	2,820,245	–	–	–	–	2,820,245	6,910
Bank borrowings	9.29	–	62	2,483	124,734	–	–	127,279	122,472
Deposits from finance lease customers	6.46	–	–	–	–	–	5,944	5,944	5,245
Convertible note	9.19	–	–	–	–	81,000	–	81,000	70,568
Redeemable convertible preference shares	13.97	–	–	–	–	–	684,000	684,000	1,815
		18,324	2,938,220	17,477	127,749	81,000	689,944	3,872,714	361,256

The amounts included above for loan guarantee contracts represent the maximum amounts that the Group could be required to pay if the guarantees were called upon in their entirety. At the end of the reporting period, the carrying amount of loan guarantee contracts as at 31 March 2010 (that was determined based on expectations at the end of the reporting period) amounted to HK$10,180,000 (2009: HK$6,910,000). However, this estimate is 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.

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 based on 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 %	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$'000	Carrying amount at 31.3.2010 HK$'000
2010									
Non-derivative financial liabilities									
Other payables	–	11	–	–	–	–	–	11	11
Loan guarantee contracts	–	–	–	–	–	79,775	–	79,775	–
Redeemable convertible preference shares	13.97	–	–	–	–	–	684,000	684,000	2,087
		11	–	–	–	79,775	684,000	763,786	2,098

	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$'000	Carrying amount at 31.3.2009 HK$'000
2009									
Non-derivative financial liabilities									
Other payables	–	3,592	–	–	–	–	–	3,592	3,592
Loan guarantee contracts	–	–	–	–	79,775	–	–	79,775	–
Amounts due to subsidiaries	–	148,917	–	–	–	–	–	148,917	148,917
Convertible note	9.19	–	–	–	–	81,000	–	81,000	70,568
Redeemable convertible preference shares	13.97	–	–	–	–	–	684,000	684,000	1,815
		152,509	–	–	79,775	81,000	684,000	997,284	224,892

The amounts included above for loan guarantee contracts represent the maximum amounts that the Company could be required to pay if the guarantees were called upon in their entirety. At the end of the reporting period, the carrying amount of loan guarantee contracts as at 31 March 2010 (that was determined based on expectations at the end of the reporting period) was nil (2009: 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 assets and financial liabilities are determined based on discounted cash flow analysis using prices or rates from observable current market transactions.

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	
	2010	2009
	HK$'000	HK$'000
Available-for-sale club debentures	**16,545**	16,545
Total	**16,545**	16,545

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 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.

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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.

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 2010 under the Company's share option scheme is as follows:

			Number of share options				
Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1 April 2009	Granted during the year	Exercised during the year	Lapsed at the year	Outstanding at 31 March 2010
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	–	–	**32,000,000**
17.8.2007	17.8.2010 – 16.8.2017	1.014	94,800,000	–	–	(2,500,000)	**92,300,000**
23.5.2008	23.5.2011 – 22.5.2018	0.692	5,600,000	–	–	(500,000)	**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**
			141,600,000	52,250,000	–	(3,000,000)	**190,850,000**
			HK$	HK$	HK$	HK$	**HK$**
Weighted average exercise price per share			0.787	0.500	–	0.960	**0.706**

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1 April 2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 March 2009
29.7.2005	1.1.2007 – 28.7.2015	0.132	1,600,000	–	(1,600,000)	–	–	–
7.7.2006	1.1.2010 – 6.7.2016	0.210	23,000,000	–	(20,000,000)	–	(3,000,000)	–
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	–	–	–	32,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	97,000,000	–	–	(2,200,000)	–	94,800,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	–	5,600,000	–	–	–	5,600,000
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
			153,600,000	14,800,000	(21,600,000)	(2,200,000)	(3,000,000)	141,600,000
			HK$	HK$	HK$	HK$	HK$	HK$
Weighted average exercise price per share			0.727	0.480	0.204	1.014	0.210	0.787

As at 31 March 2010, the Group had 32,000,000 (2009: Nil) 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 2009**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 March 2010**
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	–	**32,000,000**
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**
			108,600,000	52,000,000	–	**160,600,000**

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1 April 2008	Granted during the year	Exercised during the year	Outstanding at 31 March 2009
29.7.2005	1.1.2007 – 28.7.2015	0.132	1,600,000	–	(1,600,000)	–
7.7.2006	1.1.2010 – 6.7.2016	0.210	8,000,000	–	(8,000,000)	–
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	–	32,000,000
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
			116,600,000	1,600,000	(9,600,000)	108,600,000

There was no exercise of share options during the year ended 31 March 2010.

The weighted average share price at the dates of exercise of share option for the year ended 31 March 2009 was HK$0.674.

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 2010

	Director	**Employee**
Grant dates	**13.10.2009**	**13.10.2009**

Fair value of share options and assumptions:

Fair value at measurement dates (HK$)	**0.195**	**0.169**
Share price (HK$)	**0.500**	**0.500**
Exercise price (HK$)	**0.500**	**0.500**
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	**69.991%**	**69.991%**
Option life	**10 years**	**10 years**
Expected dividends	**8%**	**8%**
Risk-free interest rate (based on Exchange Fund Notes)	**2.226%**	**2.226%**
Expected forfeiture rate	**12.50%**	**17.78%**

37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Fair value of share options and assumptions (continued)

For the year ended 31 March 2009

	Director	Employees	Employee	Employees
Grant dates	23.5.2008	23.5.2008	31.12.2008	13.3.2009
Fair value of share options and assumptions:				
Fair value at measurement dates (HK$)	0.365	0.285	0.046	0.045
Share price (HK$)	0.690	0.690	0.345	0.345
Exercise price (HK$)	0.692	0.692	0.345	0.360
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	83.99%	83.99%	78.325%	74.587%
Option life	10 years	10 years	10 years	10 years
Expected dividends	–	–	–	–
Risk-free interest rate (based on Exchange Fund Notes)	2.917%	2.917%	1.191%	1.870%
Expected forfeiture rate	–	21.88%	18.42%	20.51%

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$15,191,000 (2009: HK$14,629,000) relating to share option payment transactions for the year ended 31 March 2010.

38. OPERATING LEASE COMMITMENTS

At 31 March 2010, the total future minimum lease payments under non-cancellable operating leases were 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**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**9,807**	10,494	**2,214**	2,215
After one year but within five years	**13,020**	9,215	**4,614**	184
	22,827	19,709	**6,828**	2,399

39. CONTINGENT LIABILITIES

As at the reporting date, there were contingent liabilities in respect of the following:

(a) The Group has contingent liabilities of RMB3,500,113,000 equivalent to approximately HK$3,932,711,000 (2009: RMB2,510,018,000 equivalent to approximately HK$2,820,245,000) in relation to the provision of the guarantee service in the PRC. At the end of the reporting period, an amount of RMB9,060,000, equivalent to approximately HK$10,180,000 (2009: RMB6,150,000, equivalent to approximately HK$6,910,000) has been recognised in the consolidated statement of financial position as liabilities.

(b) The Company, Rongzhong Investment and a director of the Company had given a guarantee to a bank for the granting of the borrowing of not more than RMB100,000,000 equivalent to approximately HK$112,360,000 (2009: RMB100,000,000 equivalent to approximately HK$112,360,000) in aggregate, which was fully utilised by Rongzhong Enterprise Management (Shenzhen) Co., Ltd. ("Rongzhong Shenzhen"), a non-wholly owned subsidiary of the Company as at 31 March 2010. The guarantee provided by the Company was in proportion to its interest in the borrower. No financial liabilities in relation to this loan guarantee granted by the Company to Rongzhong Shenzhen are recorded as, in the opinion of the directors, the fair values of the loan guarantee contracts were not significant during both years.

40. 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.

41. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed in Notes 15, 16 and 17, the Group had the following transactions with related parties during the year.

Key management personnel remuneration

	2010	2009
	HK$'000	HK$'000
Short-term benefits	**12,746**	13,346
Post-employment benefits	**82**	91
Share-based payments	**12,709**	11,529
	25,537	24,966

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

41. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

	2010 HK$'000	2009 HK$'000
Financial service fee income received from an associate	**13,911**	7,329
Rental expense paid to a related company with common controlling shareholders	**2,592**	2,541
Rental expense paid to minority shareholder of a subsidiary	**593**	297

42. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2010 and 2009 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
				Directly		Indirectly		
		2010	2009	2010	2009	2010	2009	
Birdsong Management Limited	British Virgin Islands/ Hong Kong	**US$1**	US$1	**–**	–	**100%**	100%	Provision of management service
Chengdu City Rongzhong Credit Guarantee Co. Ltd. (成都市融眾信用擔保有限公司)*	The PRC	**RMB10,000,000**	RMB10,000,000	**–**	–	**71%**	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)*	The PRC	**RMB5,000,000**	RMB5,000,000	**–**	–	**71%**	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)*	The PRC	**RMB100,000,000**	RMB60,000,000	**–**	–	**71%**	71%	Provision of loan guarantee service
Chongqing Goldbond Pawn Shop Co. Ltd. (重慶金榜典當有限公司)*	The PRC	**RMB10,000,000**	RMB10,000,000	**–**	–	**71%**	71%	Provision of financing service
Famous Apex Limited	British Virgin Islands/ Hong Kong	**US$1**	US$1	**–**	–	**100%**	100%	Provision of loan financing service
Nanjing Goldbond Consultancy Co. Ltd. (南京金榜信息咨詢有限公司)**	The PRC	**HK$5,000,000**	HK$5,000,000	**–**	–	**100%**	100%	Provision of management service
Guangzhou City Rongzhong Credit Guarantee Co. Ltd. (廣州市融眾信用擔保有限公司)*	The PRC	**RMB100,700,000**	RMB99,900,000	**–**	–	**71%**	71%	Provision of loan guarantee service

42. 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
				Directly		Indirectly		
		2010	2009	**2010**	2009	**2010**	2009	
Guangzhou Rongzhong Investment Management Co. Ltd. (廣州融眾投資管理有限公司)*#	The PRC	**RMB10,000,000**	–	**–**	–	**56.80%**	–	Investment holding
Guangzhou Rongzhong Pawn Co. Ltd. (廣州融眾典當有限公司)*#	The PRC	**RMB10,000,000**	–	**–**	–	**71%**	–	Provision of financing service
Hangzhou Rongzhong Guarantee Co. Ltd. (杭州融眾擔保有限公司)*	The PRC	**RMB50,000,000**	RMB50,000,000	**–**	–	**71%**	71%	Provision of loan guarantee service
Hunan Rongzhong Investment Guarantee Co. Ltd. (湖南融眾投資擔保有限公司)*	The PRC	**RMB50,000,000**	RMB50,000,000	**–**	–	**71%**	71%	Provision of loan guarantee service
Jiangsu Rongzhong Investment Guarantee Co. Ltd. (江蘇融眾投資擔保有限公司)*	The PRC	**RMB50,000,000**	RMB50,000,000	**–**	–	**71%**	71%	Provision of loan guarantee service
Jiangsu Rongzhong Pawn Shop Co. Ltd. (江蘇融眾典當有限公司)*	The PRC	**RMB10,000,000**	RMB10,000,000	**–**	–	**71%**	71%	Provision of financing service
Master Profit Limited	British Virgin Islands/ Hong Kong	**US$1**	US$1	**100%**	100%	**–**	–	Investment holding
Perfect Honour Limited	British Virgin Islands/ Hong Kong	**US$1**	US$1	**100%**	100%	**–**	–	Investment holding
Perfect Manor Limited	Hong Kong	**HK$2**	HK$2	**–**	–	**100%**	100%	Property investment
Plentiful International Investments Limited	Hong Kong	**HK$1**	HK$1	**–**	–	**71%**	71%	Investment holding
Rongzhong Enterprise Management (Shenzhen) Co. Ltd (融眾企業管理(深圳)有限公司)**	The PRC	**HK$439,660,000**	HK$439,660,000	**–**	–	**71%**	71%	Provision of management service
Rongzhong Group Limited	British Virgin Islands/ Hong Kong	**US$26,000,000**	US$26,000,000	**–**	–	**71%**	71%	Investment holding
Rongzhong International Finance Lease Holdings Limited	Hong Kong	**HK$1**	HK$1	**–**	–	**71%**	71%	Investment holding

42. 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
				Directly		Indirectly		
		2010	2009	**2010**	2009	**2010**	2009	
Rongzhong International Financial Leasing Co. Ltd. (融眾國際融資租賃有限公司)*	The PRC	**US$10,000,000**	US$10,000,000	**–**	–	**71%**	71%	Provision of finance lease service
Rongzhong Investment Group Limited (融眾投資集團有限公司)**	The PRC	**RMB560,000,000**	RMB500,000,000	**–**	–	**71%**	71%	Investment holding
Solomon Glory Limited	British Virgin Islands/ Hong Kong	**US$1**	–	**–**	–	**100%**	–	Provision of loan financing service
Taizhou Rongzhong Venture Investment Co. Ltd. (泰州融眾創業投資有限公司)*	The PRC	**RMB30,000,000**	RMB30,000,000	**–**	–	**54.43%**	54.43%	Provision of financing service
Wuhan City Rongzhong Investment Guarantee Co. Ltd. (武漢市融眾投資擔保有限公司)*	The PRC	**RMB100,000,000**	RMB100,000,000	**–**	–	**71%**	71%	Provision of loan guarantee service
Wuhan Fuyuan Pawn Shop Co. Ltd. (武漢福源典當有限公司)*	The PRC	**RMB10,000,000**	RMB10,000,000	**–**	–	**71%**	71%	Provision of financing service
Wuhan Hanyang Pawn Shop Co. Ltd. (武漢瀚洋典當有限公司)*	The PRC	**RMB10,000,000**	RMB10,000,000	**–**	–	**71%**	71%	Provision of financing service
Wuhan Rongzhong Management Co. Ltd. (武漢融眾咨詢管理有限公司)*	The PRC	**HK$50,000,000**	HK$50,000,000	**–**	–	**71%**	71%	Provision of management service
Wuhan Rongzhong Investment Management Co. Ltd. (武漢融眾投資管理有限公司)*	The PRC	**RMB20,000,000**	RMB20,000,000	**–**	–	**71%**	71%	Investment holding
Wuhan Rongzhong Pawn Shop Co. Ltd. (武漢融眾典當有限公司)*	The PRC	**RMB49,000,000**	RMB49,000,000	**–**	–	**71%**	71%	Provision of financing service

* a limited liability company established in the PRC

** a wholly foreign-owned enterprise established in the PRC

\# PRC companies established during the year

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.