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GOLDBOND GROUP HOLDINGS LIMITED

金榜集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 00172)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board of directors (the “Board”) of Goldbond Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2012 (the “Period”) together with comparative figures. The results have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, and by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		1 April 2012 to 30 September 2012	1 April 2011 to 30 September 2011
	<i>Notes</i>	HK\$’000 (Unaudited)	HK\$’000 (Unaudited)
Continuing operations			
Revenue	3	118,678	37,535
Other income		8,013	2,009
Staff costs		(10,610)	(9,635)
Other operating expenses		(5,176)	(28,526)
Adjustment to the carrying amount of a loan to a jointly controlled entity		(39,506)	–
Change in fair values of financial liabilities		19,920	–
Direct finance costs		(42,317)	(21,819)
Other finance costs		(200)	(174)
Share of loss of a jointly controlled entity		(15,858)	–
Profit (loss) before taxation	4	32,944	(20,610)
Taxation	5	(11,597)	(3,336)
Profit (loss) for the period from continuing operations		21,347	(23,946)

		1 April 2012 to 30 September 2012	1 April 2011 to 30 September 2011
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Discontinued operations			
Profit for the period from discontinued operations	6	–	65,378
Profit for the period		21,347	41,432
Other comprehensive income			
Exchange differences arising on translation		14	54,916
Total comprehensive income for the period		21,361	96,348
Profit for the period attributable to:			
Owners of the Company		3,882	27,509
Non-controlling interests		17,465	13,923
		21,347	41,432
Total comprehensive income for the period attributable to:			
Owners of the Company		3,896	76,442
Non-controlling interests		17,465	19,906
		21,361	96,348
Earnings (loss) per share			
From continuing and discontinued operations	8		
– Basic and diluted		0.14 cents	1.00 cents
From continuing operations			
– Basic and diluted		0.14 cents	(0.69) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30 September 2012	31 March 2012
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Equipment		1,695	2,184
Interest in a jointly controlled entity		1,051,638	1,067,496
Loans to a jointly controlled entity		577,703	671,515
Finance leases receivable	9	732,376	689,796
Club debentures		18,179	18,179
		2,381,591	2,449,170
Current assets			
Loan to a jointly controlled entity		71,462	–
Amount due from a jointly controlled entity		404	542
Finance leases receivable	9	614,469	525,662
Prepayments, deposits and other receivable		13,765	7,176
Security deposits		16,380	19,430
Short term bank deposits			
– with original maturity within three months		568,758	494,813
– with original maturity more than three months		–	66,866
Bank balances and cash		37,084	29,503
		1,322,322	1,143,992
Current liabilities			
Other payable and accrued charges		41,810	32,559
Deposits from finance lease customers	9	55,970	43,552
Deferred income		16,916	14,048
Taxation		5,546	3,611
Bank borrowings – amount due within one year		381,048	372,718
Liabilities under shareholders' agreements		5,901	5,583
		507,191	472,071
Net current assets		815,131	671,921
Total assets less current liabilities		3,196,722	3,121,091

		30 September 2012	31 March 2012
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Capital and reserves			
Share capital		274,501	274,501
Reserves		1,723,840	1,716,541
Equity attributable to owners of the Company		1,998,341	1,991,042
Non-controlling interests		204,702	187,237
Total equity		2,203,043	2,178,279
Non-current liabilities			
Deposits from finance lease customers	9	237,860	182,641
Deferred income		19,959	19,917
Bank borrowings – amount due after one year		439,315	423,671
Liabilities under shareholders' agreements		293,585	313,823
Redeemable convertible preference shares		2,960	2,760
		993,679	942,812
		3,196,722	3,121,091

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

Six months ended 30 September 2012

Continuing operations

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

Six months ended 30 September 2011

Continuing operations

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

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

Segment results represent the profit earned by each segment without allocation of central administration costs, investment income, change in fair values of financial liabilities, other finance costs and share of loss of a jointly controlled entity. This is the measure reported to the Group's chief executive officer for the purpose of resources allocation and assessment of segment performance.

Notes:

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

Segment assets

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

As at 30 September 2012

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

As at 31 March 2012

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

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

4. PROFIT (LOSS) BEFORE TAXATION – CONTINUING OPERATIONS

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

Continuing operations

	1 April 2012 to 30 September 2012	1 April 2011 to 30 September 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on:		
Bank and other borrowings	42,317	21,819
Redeemable convertible preference shares	200	174
	<u>42,517</u>	<u>21,993</u>
Depreciation of equipment	491	442
Interest income	(7,745)	(1,874)
Operating lease charges in respect of properties	1,442	1,296
Net foreign exchange (gain) loss	(77)	23,569
	<u><u>42,517</u></u>	<u><u>21,993</u></u>

5. TAXATION

Continuing operations

	1 April 2012 to 30 September 2012	1 April 2011 to 30 September 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The current tax charge comprises:		
Enterprise Income Tax in China	11,597	3,336
	<u><u>11,597</u></u>	<u><u>3,336</u></u>

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

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

6. DISCONTINUED OPERATIONS

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

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

After the Completion:

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

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

Profit for the period from discontinued operations

	1 April 2011 to 30 September 2011
	<u>HK\$'000</u> (Unaudited)
Revenue	128,685
Other income	3,434
Staff costs	(15,536)
Other operating expenses	(22,473)
Other finance costs	(4,727)
Share of loss of associates	(639)
	<hr/>
Profit before taxation	88,744
Taxation	(23,366)
	<hr/>
Profit for the period from discontinued operations	65,378
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Profit for the period from discontinued operations attributable to:	
Owners of the Company	46,523
Non-controlling interests	18,855
	<hr/>
	65,378
	<hr/> <hr/>
Profit for the period from discontinued operations included the following:	
Interest on bank borrowings	4,727
Allowance for bad and doubtful debts	15,619
Amortisation of intangible assets	225
Depreciation of equipment	1,510
Gain on disposal of equipment	(2,283)
Interest income	(1,127)
Net foreign exchange gain	(17,788)
Operating lease charges in respect of properties	4,671
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Cash flows from discontinued operations

	1 April 2011 to 30 September 2011
	<u>HK\$'000</u> (Unaudited)
Net cash used in operating activities	(157,065)
Net cash used in investing activities	(11,215)
Net cash from financing activities	59,426
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Net cash outflows	(108,854)
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7. DIVIDENDS

1 April 2012 to 30 September 2012	1 April 2011 to 30 September 2011
<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)

Dividends recognised as distribution and paid during the period:

Final dividends of HK nil cents per share in respect of the year ended 31 March 2012 (2011: In respect of the year ended 31 March 2011 of HK2 cents per share)	–	55,211
	<u> </u>	<u> </u>

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

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

1 April 2012 to 30 September 2012	1 April 2011 to 30 September 2011
<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)

Earnings:

Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	3,882	27,509
	<u> </u>	<u> </u>
	<i>'000</i>	<i>'000</i>

Number of shares:

Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	2,745,013	2,760,563
Effect of dilutive potential ordinary shares:		
Share options	2,814	–
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,747,827	2,760,563
	<u> </u>	<u> </u>

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

From continuing operations

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

	1 April 2012 to 30 September 2012	1 April 2011 to 30 September 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings (loss) figures are calculated as follows:		
Profit for the period attributable to owners of the Company	3,882	27,509
Less: Profit for the period from discontinued operations attributable to owners of the Company	—	(46,523)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share from continuing operations	<u>3,882</u>	<u>(19,014)</u>

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

From discontinued operations

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

9. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

The Group provides financial leasing service in China.

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2012	31 March 2012	30 September 2012	31 March 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Finance leases receivable comprise:				
Within one year	714,940	634,104	614,469	525,662
In more than one year but not more than five years	793,908	755,244	732,376	689,796
	<u>1,508,848</u>	1,389,348	<u>1,346,845</u>	<u>1,215,458</u>
Less: Unearned finance income	<u>(162,003)</u>	(173,890)		
Present value of minimum lease payment	<u>1,346,845</u>	<u>1,215,458</u>		
Analysed for reporting purposes as:				
Current assets			614,469	525,662
Non-current assets			732,376	689,796
			<u>1,346,845</u>	<u>1,215,458</u>

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

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

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

Financial Leasing

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

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

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

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

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

Financing

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

Rongzhong Facilities

The Group currently has two revolving loan facilities offered to the Rongzhong Group. The first loan facility is to make available a 3 years revolving loan facility of HK\$900 million in which a loan of HK\$444 million (the “Special Loan”) is bearing an interest rate of 5% per annum and repayable beyond 1 year of the reporting date while the remaining facility amount is bearing an interest rate of 10% per annum and repayable within 1 year of the reporting date. The second loan facility is to make available a 2 years revolving loan facility of RMB150 million (equivalent to HK\$185 million) bearing an interest rate of 3% per annum and repayable beyond 1 year of the reporting date. As at 30 September 2012, the total carrying amount of the Rongzhong Facilities was HK\$649.2 million (31 March 2012: HK\$671.5 million) and the total interest generated therefrom for the Period was HK\$29.8 million (corresponding period in 2011: HK\$32.3 million). In addition, resulting from a change of the expected completion date of the Proposed IPO of Rongzhong Group relating to the Introduction (details of the capitalised terms are disclosed in the circular of the Company dated 23 September 2011), an adjustment of HK\$39.5 million to write down the carrying amount of the Special Loan was recognised by the Group during the Period in accordance with the applicable accounting standards. This adjustment represented the present value of the difference in future contractual cash flows of the Special Loan taking into account the original interest rate of 10% per annum prior to the Introduction and the change of assumption relating to the Introduction. According to the applicable accounting standards, this adjustment will be reversed in full, based on the effective interest method, over the remaining life of the Special Loan.

鹽城市金榜科技小額貸款有限公司
(Yancheng Goldbond Technology Small Loan Company Limited#)

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

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

The Rongzhong Group

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

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

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

OUTLOOK

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

FINANCIAL REVIEW

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

Revenue

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

Results of Operations

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

its financing business. Excluding the following major non-cash items, the profit for the Period attributable to the owners of the Company would be HK\$26.9 million and the details are set out below:

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

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

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

Financial Resources and Capital Structure

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

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

Liquidity and Gearing Ratio

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

Charges on Group Assets

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

Exposure to Fluctuations in Exchange Rates

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

Contingent Liabilities

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

Employees and Remuneration Policy

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

AUDIT COMMITTEE

The audit committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. It comprises all independent non-executive directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Period, except for the following deviation:

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

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

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by the Directors. Having made specific enquiry, all Directors confirmed that they fully complied with the Model Code throughout the Period.

PUBLICATION OF FURTHER INFORMATION

The 2012/13 Interim Report of the Company containing all information required by the Listing Rules will be published on the respective websites of the Company and the Stock Exchange in due course.

DIRECTORS

As at the date of this announcement, (a) the executive directors of the Company are Mr. Wang Jun, Mr. Wong Yu Lung, Charles, Mr. Ding Chung Keung, Mr. Kee Wah Sze, Mr. Xie Xiao Qing, Ms. Wong, Michelle Yatyee and Mr. Melvin Jitsumi Shiraki; (b) the independent non-executive directors of the Company are Mr. Ma Ho Fai SBS JP, Mr. Cheng Yuk Wo and Mr. Ng Chi Keung MH.

By Order of the Board
Mr. Ding Chung Keung
Chief Executive Officer

Hong Kong, 28 November 2012

For identification purpose only