



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

(A company incorporated in Hong Kong with limited liability)
Stock Code: 00172



Interim Report 2016/17



This interim report is printed on environmentally friendly paper

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Jun (*Chairman*)
Mr. Wong Yu Lung, Charles
(*Deputy Chairman*)
Mr. Ding Chung Keung, Vincent
(*Chief Executive Officer*)
Ms. Wong, Michelle Yatye

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)
Mr. Ma Ho Fai SBS JP
Mr. Ding Chung Keung, Vincent

NOMINATION COMMITTEE

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

SECRETARY

Ms. Li Yu Lian, Kelly

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

00172

REGISTERED OFFICE

Unit 3901, 39/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKERS

Bank of Communications Co., Ltd., Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
China CITIC Bank International Limited
China Everbright Bank Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITES

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

Chairman's Statement

On behalf of the board of Directors (the "Board") of Goldbond Group Holdings Limited (the "Company"), I am pleased to present the interim results of the Company and its subsidiaries (collectively the "Group") for the period ended 30 September 2016 (the "Period").

The economy of the People's Republic of China ("China") recorded a slower growth rate and the restructuring of real economy sector is still underway. Facing challenges such as decreasing market demand, tightening of credit and higher operational risk, the Group made proactive responding adjustments to secure stable development of the financial business. However, as a result of share of loss of a joint venture – Rongzhong Group Limited ("Rongzhong Group") which suffered from high impairment loss on accounts receivable and advances provided to customers, loss for the Period amounted to HK\$786.0 million (corresponding period in 2015: profit of HK\$64.5 million).

As at 30 September 2016, the equity attributable to the owners of the Company was HK\$1,433.6 million, decreased by 38% from the beginning of the period. Such decrease was mainly contributed by loss for the Period, exchange loss arising on translation recognised by the Group, its joint venture and associate of HK\$66.5 million with unfavorable movement in the exchange rate of the Renminbi against the Hong Kong dollar and dividend distribution of HK\$41.4 million.

Looking forward, China's economy is facing challenges with opportunities ahead. We will adhere to our strategy of prudent management of credit risk and facilitate financial service capability upgrade. Given our solid financial position and diversified investment and loan portfolios, we are confident that we will be able to navigate through the near term uncertainties and grasp business development opportunities.

It has been the strategy of the Group from time to time to review the existing business portfolio and explores new potential projects in order to provide new and sustainable drivers for the Group's overall performance. The Group intends to commence new business activity involving trading of goods (the "Trading Business") in the next few months through the establishment of a wholly-owned subsidiary in Shanghai, China with initial registered capital of RMB10 million. Also, as disclosed in the circular of the Company dated 23 June 2015, the Group is building new growth driver by participating in a real estate fund and holding a significant interest in the manager of such fund so as to capture and benefit from the opportunities in the real estate markets in the developed countries. The manager of the real estate fund is currently exploring real estate projects in the North America with good investment value.

Finally, on behalf of the Board and our management team, I would like to thank all shareholders, business partners and customers for their continued support.

Wong Yu Lung, Charles

Deputy Chairman

Hong Kong, 25 November 2016

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the results for the Period (corresponding period in 2015: nil).

BUSINESS REVIEW

The Group principally engages in the provision of non-bank financial services to small and medium-sized enterprises (“SMEs”) in China. The Group together with its joint venture and associate offer wide spectrum of services including financing, financial leasing and factoring services.

Financing

– *Small loan financing*

The Group engages in small loan financing business through Yancheng Goldbond Technology Small Loan Company Limited (“Yancheng Goldbond”). Yancheng Goldbond was the first wholly foreign owned small loan company founded in Yancheng, Jiangsu Province. Yancheng Goldbond is able to offer short-term loan financing services, loan guarantee services, direct investment and other services approved by the provincial government, to SMEs and individuals in Yancheng.

In view of slow-down of the economy in third-tier cities, like Yancheng, the Group timely adjusted its operating strategy. Over the past two years, the Group prudently promoted the small loan financing business among high quality customers to maintain stable return and ensure that the newly released loans were effectively safeguarded. As a result, the average interest rate of our loan portfolio and the revenue from the small loan financing business dropped. The income from small loan financing for the Period was HK\$0.5 million, representing a decrease of 71% from previous period. Yancheng Goldbond has obtained the approval for capital reduction of US\$14.7 million as the Group determined to reduce the investment in this segment and diverted financial resources to other business with growth potential, such as factoring.

– *Loans to Rongzhong Group*

The Group granted a revolving loan facility to Rongzhong Group for the development of its financing service business in China and details of the loan were disclosed in the circular of the Company dated 23 September 2011. According to and subject to the terms of the shareholders’ agreement of Rongzhong Group dated 26 October 2011 and the respective shareholders’ resolutions in relation to the arrangement of subscription of additional shares in Rongzhong Group at subscription price of HK\$315.2 million and HK\$128.8 million, respectively by Perfect Honour Limited (“Perfect Honour”, a wholly-owned subsidiary of the Company) and Yong Hua International Ltd. (“Yong Hua”) (“Subscriptions”), part of the loan to Rongzhong Group (“RZG Loan”) in the total sum of HK\$444 million was assigned to Perfect Honour and Yong Hua to make up the Subscriptions. At the request of Yong Hua, the Group agreed to provide a loan facility (“Loan Facility”) in the sum of HK\$128.8 million to Yong Hua (“YH Loan”) for the settlement of amount payable under the above-mentioned assignment of the RZG Loan to Yong Hua. Details of the Loan Facility were disclosed in the announcement of the Company dated 18 April 2016. The Loan Facility was drawn down by Yong Hua in April 2016, and the loan assignments and the Subscriptions were completed.

As at 30 September 2016, the carrying value of RZG Loan was HK\$42.6 million (31 March 2016: HK\$483.2 million). The interest income realised from the RZG Loan was HK\$3.4 million (corresponding period in 2015: HK\$17.7 million).

Management Discussion and Analysis

– **Interest in a joint venture: Rongzhong Group**

Rongzhong Group and its subsidiaries (“Rongzhong Group Companies”) principally engaged in provision of non-bank financial services, comprising small loan financing, loan guarantee, bill financing and financial consulting services to SMEs and individuals in various cities in China. With business operation for more than one decade, Rongzhong Group Companies have developed business relationship with numerous SMEs and banks in China. By leveraging the established industry and management expertise, Rongzhong Group Companies is able to provide a customised and integrated range of financing solutions to its customers.

The revenue of Rongzhong Group Companies for the Period was HK\$319.2 million which decreased by HK\$89.0 million or 22% compared to previous period. This was mainly because of decrease in interest-earning loan portfolio and the lower average interest rate for the new loans granted.

The impairment loss on accounts receivable and advances provided to customers of Rongzhong Group Companies amounted to HK\$2,447.9 million which increased by HK\$2,379.5 million compared to previous period. With slowdown of economic growth, the SMEs financing market has been entering a period of higher default risk. The situation persisted and aggravated in 2016 as certain of Rongzhong Group’s selected customers (“Selected Customers”, with loans of carrying amount of HK\$3,390.3 million before impairment loss as at 30 September 2016), which had been an important growth driver of Rongzhong Group’s financing business over the years, extended their repayment plan. Although the Selected Customers are still under normal business operation, impairment reviews still had to be carried out by Rongzhong Group as required by Hong Kong Accounting Standard 36 (“HKAS 36”). In accordance with HKAS 36, the amount of the impairment loss is measured as the difference between the financial 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 of the loan which is more than 35% per annum for the loans to Selected Customers). In estimating the future cash flows for the loans to Selected Customers, the management of Rongzhong Group took into account, among others, the estimated market value of real estate assets held by the Selected Customers as valued by professional valuer as at 30 September 2016 of HK\$3,931.3 million. Significant lending to Selected Customers, coupled with expected delay in repayment and more importantly, high effective interest rate used in discounting estimated future cash flows resulted in the substantial impairment loss of HK\$2,395.7 million recorded for the loans to Selected Customers during the Period.

As a result of the above, Rongzhong Group suffered loss of HK\$1,806.2 million for the Period (corresponding period in 2015: profit of HK\$139.5 million) and the Group shared HK\$723.9 million of such loss for the Period (corresponding period in 2015: share of profit of HK\$54.4 million).

Financial leasing

– **Interest in an associate: China Rongzhong Financial Holdings Company Limited (“China Rongzhong”)**

China Rongzhong and its subsidiaries (“China Rongzhong Group”), primarily engages in finance leasing business through Rongzhong International Financial Leasing Co., Ltd. (“Rongzhong Finance Lease”). Rongzhong Finance Lease is a leading finance leasing company in Hubei Province, providing finance lease services to key industries in Hubei Province, including laser processing, plastics, industrial processing, textile and garments and hotel and leisure. On 28 January 2016, the shares of China Rongzhong were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Listing”). Upon Listing, the Group’s interest in China Rongzhong has been diluted from 47.94% to 34.86% and China Rongzhong became an associate (previously a joint venture) of the Group.

Management Discussion and Analysis

The revenue and profit of China Rongzhong Group for the Period was HK\$103.4 million and HK\$39.1 million, respectively (corresponding period in 2015: HK\$114.0 million and HK\$31.4 million, respectively). Profit slightly increased due to the decrease in non-recurring expenses in connection with the initial public offering of China Rongzhong. The share of profit of China Rongzhong Group by the Group for the Period was HK\$13.6 million (corresponding period in 2015: HK\$15.1 million, such amount was included in share of profit of joint ventures).

Factoring

We established our factoring headquarters in Nanjing, Jiangsu Province in late 2014 with the approval from Ministry of Commerce of China. The operating vehicle, Jiangsu Goldbond Factoring Co., Ltd., with registered capital of RMB50 million, is authorised to offer factoring services including collection and management of account receivables and other related advisory services. The factoring business has achieved satisfactory growth and acquired account receivables of over RMB500 million since its commencement of business, with focus on account receivables due by large state-owned enterprises or listed companies with better financial position. The success of this strategy has been demonstrated by our ability to maintain healthy and strong asset quality with no record of overdue of more than 30 days or non-performing assets as at 30 September 2016.

During the Period, the factoring service segment realised revenue of HK\$8.5 million (corresponding period in 2015: HK\$11.1 million), accounting for 61% (corresponding period in 2015: 37%) of the total revenue. The revenue source of the Group now became more diversified and the Group has stronger capability to resist fluctuation in single product market. After almost two years of pilot run, the Board determined to put more resources to this segment in the coming years.

FINANCIAL REVIEW

Revenue

The Group realised revenue for the Period of HK\$14.0 million, representing a decrease of 54% from HK\$30.3 million as recorded in the previous period. The income from the financing segment was HK\$5.5 million, representing a decrease of 72% from previous period. This was mainly due to (i) the Group prudently promoting lower margin loans among high quality customers for stable return and better safeguard of asset as the China economy slows down and; (ii) the decrease in loans to Rongzhong Group from HK\$483.2 million to HK\$42.6 million. During the Period, the Group realised revenue of HK\$8.5 million from factoring business for the Period, representing a decrease of 23% from previous period.

Staff costs

Staff costs of the Group amounted to HK\$9.7 million, which decreased by HK\$0.2 million or 2% compared to previous period. Such decrease is mainly attributable to the decrease in the share option expenses.

Other operating expenses

Other operating expenses were HK\$6.2 million, which increased by HK\$0.4 million or 7% compared to previous period. The increase in other operating expenses was mainly due to the increase in office rental expenses of HK\$0.8 million, partially offset by the decrease in provision for bad debts of HK\$0.5 million.

Management Discussion and Analysis

Impairment, net of other gain, on interest in a joint venture

At 30 September 2016, the management of the Group carried out an impairment review on the carrying amount of its interest in the joint venture by comparing the recoverable amount estimated using value in use with the carrying amount of the investment in Rongzhong Group. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by the joint venture, including cash flows from the operations of the joint venture and proceeds on the ultimate disposal of the investment, calculated at a discount rate of 19.4% (31 March 2016: 18.6%). Based on the assessment, the recoverable amount of the interest in the joint venture is lower than its carrying amount. Hence, an impairment, net of other gain, of HK\$57.2 million, which represented the impairment loss of HK\$234.8 million and gain arising from share subscription of HK\$177.6 million, on the interest in the joint venture was recognised in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

Impairment loss on interest in an associate

At 30 September 2016, the management of the Group also carried out an impairment review on the carrying amount of China Rongzhong by comparing the recoverable amount estimated using value in use with the carrying amount of the investment in China Rongzhong. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by the associate, including cash flows from the operations of the associate and proceeds on the ultimate disposal of the investment, calculated at a discount rate of 18.8% (31 March 2016: 18.5%). Based on the assessment, the recoverable amount of China Rongzhong is lower than its carrying amount. Hence, an impairment loss of HK\$21.5 million on the interest in China Rongzhong was recognised in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

Change in fair values of financial liabilities

The change in fair values of financial liabilities under the respective shareholders' agreements of Rongzhong Group and Rongzhong Capital Holdings Limited dated 26 October 2011 for the previous period brought negative financial impact of HK\$22.1 million to the Group's financial performance. Such financial liabilities were settled with the lapse of options and fulfillment of undertakings under the shareholders' agreements.

Direct finance costs

No direct finance cost was incurred during the Period (corresponding period in 2015: HK\$1.1 million) after the repayment of all bank loans.

Share of loss of a joint venture

Share of loss of a joint venture – Rongzhong Group for the Period amounted to HK\$723.9 million (corresponding period in 2015: share of profit HK\$54.4 million). Significant loss of Rongzhong Group was mainly attributed to the impairment allowances on accounts receivable and advances provided to customers of HK\$2,447.9 million for the Period.

In the previous period, share of profit of joint ventures composed of share of profit of Rongzhong Group and share of profit of China Rongzhong Group prior to the Listing.

Management Discussion and Analysis

Share of profit of associates

Share of profit of associates mainly composed of share of profit of China Rongzhong Group for the Period. Share of loss of associates for the previous period represented share of the expenses of a manager of real estate fund.

Loss for the Period attributable to the owners of the Company

Based on the above discussion and analysis, loss for the Period attributable to the owners of the Company was HK\$786.0 million (corresponding period in 2015: profit of HK\$64.5 million).

Other comprehensive expenses for the Period

Other comprehensive expenses for the Period were HK\$66.5 million (corresponding period in 2015: HK\$62.4 million). The condensed consolidated financial statements of the Group, its joint venture and associate are presented in Hong Kong dollar while the functional currency is RMB. With unfavorable movement in the exchange rate of the RMB against the Hong Kong dollar during the Period, the Group, the joint venture and the associate recognised an exchange loss arising on translation to presentation currency of HK\$13.1 million, HK\$44.0 million and HK\$9.4 million, respectively.

Liquidity, financial resources and capital structure

The Group always maintains healthy liquid position and sufficient capital for business development. The Group generally finances its operations through its internal resources. As at 30 September 2016, the aggregate sum of cash, bank balances and short term bank deposits amounted to HK\$299.6 million (31 March 2016: HK\$323.6 million). The working capital (current assets less current liabilities) and the total equity of the Group were HK\$450.8 million (31 March 2016: HK\$626.1 million) and HK\$1,433.6 million (31 March 2016: HK\$2,324.6 million) respectively.

As at 30 September 2016, there was no bank borrowing.

KEY FINANCIAL RATIO

Net asset value per share

	30 September 2016	31 March 2016
Net asset value per share (HK cents)	51.9	84.2

The condensed consolidated financial statements of the Group and its joint venture and associate are presented in Hong Kong dollar while the functional currency is RMB. Our net asset value per share decreased from 31 March 2016 to 30 September 2016 was mainly contributed by share of loss of Rongzhong Group, impairment, net of other gain, on interest in Rongzhong Group, impairment loss on interest in China Rongzhong and unfavorable movement in the exchange rate of the RMB against the Hong Kong dollar which resulted in exchange loss arising on translation recognised by the Group, its joint venture and associate.

Management Discussion and Analysis

Charges on group assets

As at 30 September 2016, there was no charge on the Group's assets.

Contingent liabilities

As at 30 September 2016, there was no contingent liability.

Employees and remuneration policy

As at 30 September 2016, the Group had 35 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.

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

In the opinion of the Board, the Company complied with the code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the Period except for code provision E.1.2 of the CG Code, which requires the chairman of the board to attend the annual general meeting (“AGM”). The Chairman of the Board (the “Chairman”), was absent from the Company’s AGM held on 22 August 2016 due to health reason. The Deputy Chairman, the Chief Executive Officer and other Directors, together with the respective chairmen/members of the audit, nomination, remuneration committees, were available to answer the shareholders’ questions regarding the activities of the Group and various committees.

BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders’ value. The Board consists of a total of seven Directors, comprising four Executive Directors, and three Independent Non-executive Directors. At least one-third of the Board are Independent Non-executive Directors of which more than one have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Independent Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company’s Articles of Association and the CG Code.

The positions of the Chairman and the Chief Executive Officer are currently held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group’s business. Throughout the Period, the Chairman was ill and hospitalized. In the absence of the Chairman, the Deputy Chairman performed his role and presided at the meetings of the Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 transactions by the Directors. Having made specific enquiries to all Directors (other than the Chairman who is currently hospitalised), they confirmed that they had fully complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The Company established its audit committee (the “Audit Committee”) in June 2003 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Cheng Yuk Wo (Chairman of the Audit Committee), Mr. Ma Ho Fai SBS JP and Mr. Ng Chi Keung MH. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures, review of the Group’s financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group’s interim report for the six months ended 30 September, 2016 has been reviewed by the Audit Committee.

Corporate Governance

REMUNERATION COMMITTEE

The Company established its remuneration committee (the “Remuneration Committee”) in March 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises two Independent Non-executive Directors, namely, Mr. Cheng Yuk Wo (Chairman of the Remuneration Committee) and Mr. Ma Ho Fai SBS JP, and one Executive Director, Mr. Ding Chung Keung.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for the remuneration of Directors and the senior management, and reviewing the remuneration packages of all Executive Directors and the senior management with reference to the corporate goals and objectives of the Board resolved from time to time.

NOMINATION COMMITTEE

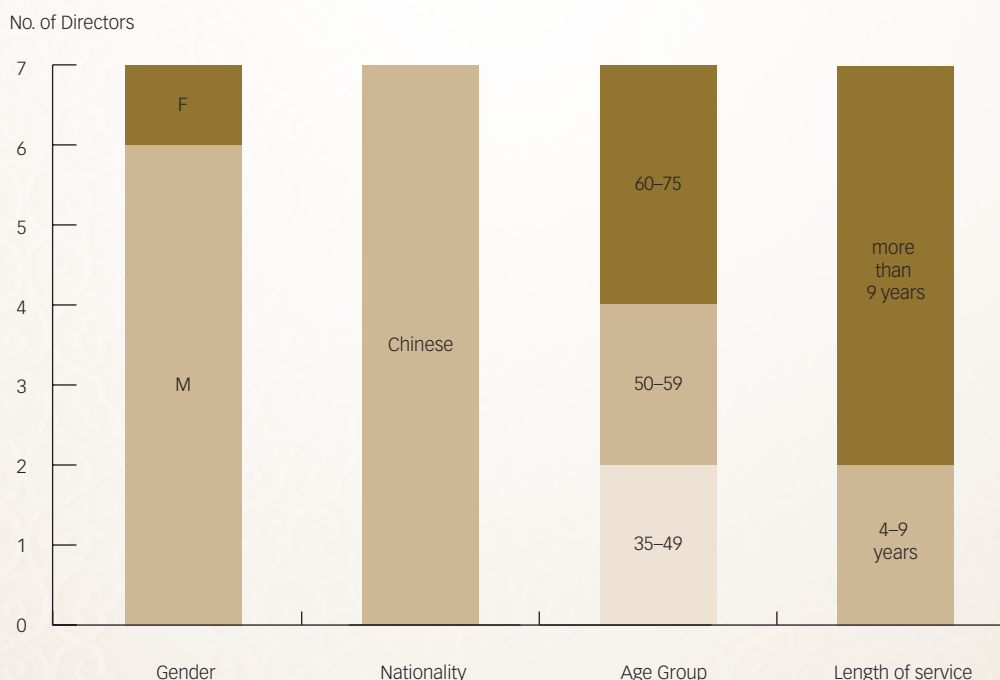
In compliance with the CG Code, the Company established its nomination committee (the “Nomination Committee”) in March 2012 with a majority of the members thereof being Independent Non-executive Directors. The Nomination Committee comprises two Independent Non-executive Directors, namely, Mr. Ng Chi Keung MH (Chairman of the Nomination Committee) and Mr. Cheng Yuk Wo, and one Executive Director, Mr. Ding Chung Keung.

The primary objectives of the Nomination Committee are to review the size, structure and composition of the Board, identify suitably qualified individual for appointment to the Board, assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy on 1 September 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.



CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 (other than the Chairman who is ill) confirmed that they fully complied with the Model Code throughout the Year.

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF GOLDBOND GROUP HOLDINGS LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Goldbond Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 12 to 31, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 November 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2016

	Notes	1.4.2016 to 30.9.2016 HK\$'000 (Unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)
Revenue	3	13,998	30,327
Other income		7,442	6,473
Staff costs		(9,662)	(9,863)
Other operating expenses		(6,162)	(5,774)
Impairment, net of other gain, on interest in a joint venture	9	(57,243)	–
Impairment loss on interest in an associate	10	(21,496)	–
Change in fair values of financial liabilities		–	(22,107)
Direct finance costs		–	(1,136)
Other finance costs		(349)	(303)
Share of (loss) profit of joint ventures		(723,852)	69,488
Share of profit (loss) of associates		13,302	(260)
(Loss) profit before taxation	4	(784,022)	66,845
Taxation	5	(2,005)	(2,383)
(Loss) profit for the period		(786,027)	64,462
Other comprehensive expenses:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency attributable to:			
The Group		(13,111)	(22,040)
Joint ventures		(43,967)	(40,313)
An associate		(9,453)	–
Other comprehensive expenses for the period		(66,531)	(62,353)
Total comprehensive (expense) income for the period		(852,558)	2,109
(Loss) profit for the period attributable to:			
Owners of the Company		(786,027)	64,462
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(852,558)	2,109
(Loss) earnings per share	7		
– Basic		HK (28.46) cents	HK 2.34 cents
– Diluted		HK (28.46) cents	HK 2.31 cents

Condensed Consolidated Statement of Financial Position

At 30 September 2016

	Notes	30.9.2016 HK\$'000 (Unaudited)	31.3.2016 HK\$'000 (Audited)
Non-current assets			
Equipment	8	3,047	3,669
Interest in a joint venture	9	488,371	1,313,433
Interests in associates	10	305,811	323,458
Loan to a joint venture	9	32,587	34,424
Advances provided to customers	11	130,396	–
Club debentures		17,122	17,529
Deferred tax asset		10,598	10,851
		987,932	1,703,364
Current assets			
Loan to a joint venture	9	10,000	448,785
Advances provided to customers	11	162,659	189,880
Prepayments, deposits and other receivables		4,518	3,285
Short term bank deposits			
– with original maturity within three months		123,910	276,706
– with original maturity more than three months		161,186	36,906
Bank balances and cash		14,467	9,984
		476,740	965,546
Current liabilities			
Other payables and accrued charges		22,243	21,269
Taxation		3,678	2,987
Liabilities under shareholders' agreements	13	–	315,240
		25,921	339,496
Net current assets		450,819	626,050
Total assets less current liabilities		1,438,751	2,329,414
Capital and reserves			
Share capital	14	829,209	829,209
Reserves		604,367	1,495,379
Total equity		1,433,576	2,324,588
Non-current liability			
Redeemable convertible preference shares	15	5,175	4,826
		1,438,751	2,329,414

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Attributable to owners of the Company							
	Share capital	Investment revaluation reserve	Employee share-based compensation reserve	General reserve	Statutory surplus reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015 (audited)	822,433	3,000	61,657	6,000	822	141,336	1,298,062	2,333,310
Profit for the year	-	-	-	-	-	-	124,473	124,473
Exchange differences arising on translation to presentation currency attributable to:								
The Group	-	-	-	-	-	(34,369)	-	(34,369)
Joint ventures	-	-	-	-	-	(69,072)	-	(69,072)
Total comprehensive (expense) income for the year	-	-	-	-	-	(103,441)	124,473	21,032
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	(41,429)	(41,429)
Exercise of share options	6,789	-	(1,340)	-	-	-	-	5,449
Expenses incurred in connection with issue of shares	(13)	-	-	-	-	-	-	(13)
Realisation of reserve upon deemed disposal of a joint venture	-	-	-	-	-	5,627	(5,627)	-
Recognition of equity-settled share-based payments	-	-	6,239	-	-	-	-	6,239
Transferred to statutory surplus reserve	-	-	-	-	783	-	(783)	-
At 31 March 2016 (audited)	829,209	3,000	66,556	6,000	1,605	43,522	1,374,696	2,324,588
Exchange differences arising on translation to presentation currency attributable to:								
The Group	-	-	-	-	-	(13,111)	-	(13,111)
A joint venture	-	-	-	-	-	(43,967)	-	(43,967)
An associate	-	-	-	-	-	(9,453)	-	(9,453)
Loss for the period	-	-	-	-	-	-	(786,027)	(786,027)
Total comprehensive expense for the period	-	-	-	-	-	(66,531)	(786,027)	(852,558)
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	(41,429)	(41,429)
Realisation of reserve upon disposal of subsidiaries	-	-	-	-	-	(780)	780	-
Recognition of equity-settled share-based payments (Note 16)	-	-	2,975	-	-	-	-	2,975
At 30 September 2016 (unaudited)	829,209	3,000	69,531	6,000	1,605	(23,789)	548,020	1,433,576

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Attributable to owners of the Company							
	Share capital	Investment revaluation reserve	Employee share-based compensation reserve	General reserve	Statutory surplus reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015 (audited)	822,433	3,000	61,657	6,000	822	141,336	1,298,062	2,333,310
Exchange differences arising on translation to presentation currency attributable to:								
The Group	-	-	-	-	-	(22,040)	-	(22,040)
Joint ventures	-	-	-	-	-	(40,313)	-	(40,313)
Profit for the period	-	-	-	-	-	-	64,462	64,462
Total comprehensive (expense) income for the period	-	-	-	-	-	(62,353)	64,462	2,109
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	(41,429)	(41,429)
Exercise of share options	6,789	-	(1,340)	-	-	-	-	5,449
Expenses incurred in connection with issue of shares	(13)	-	-	-	-	-	-	(13)
Recognition of equity-settled share-based payments (Note 16)	-	-	3,264	-	-	-	-	3,264
At 30 September 2015 (unaudited)	829,209	3,000	63,581	6,000	822	78,983	1,321,095	2,302,690

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Notes	1.4.2016 to 30.9.2016 HK\$'000 (Unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)
Net cash from (used in) operating activities			
Decrease in advances provided to customers		30,641	38,779
Other operating activities		(14,520)	48,128
		16,121	86,907
Net cash (used in) from investing activities			
Placement of short term bank deposits with original maturity more than three months		(161,186)	–
Release of short term bank deposits with original maturity more than three months		36,906	240,415
Interest received		5,004	5,315
Purchase of equipment	8	(348)	(185)
Investments in associates		–	(1,532)
		(119,624)	244,013
Net cash (used in) from financing activities			
Dividends paid	6	(41,429)	(41,429)
Interest paid		–	(1,136)
Bank borrowings raised	12	–	47,685
Repayment of bank borrowings	12	–	(67,644)
Proceeds from issue of shares		–	5,449
Payment for transaction costs attributable to issue of shares		–	(13)
		(41,429)	(57,088)
Net (decrease) increase in cash and cash equivalents		(144,932)	273,832
Cash and cash equivalents at beginning of the period		286,690	80,493
Effect of foreign exchange rate changes		(3,381)	(15,009)
Cash and cash equivalents at end of the period		138,377	339,316
Analysis of balances of cash and cash equivalents			
Bank balances and cash		14,467	7,158
Short term bank deposits with original maturity within three months		123,910	332,158
		138,377	339,316

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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 financial information relating to the year ended 31 March 2016 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 to 2014 cycle

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

3. SEGMENT INFORMATION

The Group's operating segments, 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 segments and to assess performance, are summarised as follows:

- (a) financing service segment: provision of financing services through subsidiaries and provision of financing services and loan guarantee services through a joint venture;
- (b) factoring service segment: provision of factoring services; and
- (c) financial leasing service segment: provision of financial leasing services through an associate (30 September 2015: a joint venture).

The segment information is reported below.

Segment revenue and results

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

For the six months ended 30 September 2016

	Financing service HK\$'000	Factoring service HK\$'000	Financial leasing service HK\$'000	Total HK\$'000
Revenue from customers	5,473	8,525	–	13,998
Share of loss of a joint venture	(723,852)	–	–	(723,852)
Share of profit of an associate	–	–	13,621	13,621
Impairment, net of other gain, on interest in a joint venture	(57,243)	–	–	(57,243)
Impairment loss on interest in an associate	–	–	(21,496)	(21,496)
	(775,622)	8,525	(7,875)	(774,972)
Segment results	(776,017)	7,169	(7,875)	(776,723)
Unallocated other income				5,004
Central administration costs				(13,589)
Net exchange gain				1,954
Other finance costs				(349)
Share of loss of associates				(319)
Loss before taxation				(784,022)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

3. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 September 2015

	Financing service HK\$'000	Factoring service HK\$'000 (Note)	Financial leasing service HK\$'000	Total HK\$'000
Revenue from customers	19,236	11,091	–	30,327
Share of profit of joint ventures	54,433	–	15,055	69,488
	73,669	11,091	15,055	99,815
Segment results	72,023	8,482	15,055	95,560
Unallocated other income				5,315
Change in fair values of financial liabilities				(22,107)
Central administration costs				(12,387)
Net exchange gain				1,027
Other finance costs				(303)
Share of loss of associates				(260)
Profit before taxation				66,845

Segment results represent the profit earned by each segment, share of (loss) profit of joint ventures, share of profit of an associate, impairment, net of other gain, on interest in a joint venture and impairment loss on interest in an associate without allocation of central administration costs, other income (primarily bank interest income), change in fair values of financial liabilities, net exchange gain, other finance costs and share of loss of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Note: Included in segment results were direct finance costs of HK\$1,136,000 for the six months ended 30 September 2015 attributable to the factoring service business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 30 September 2016

	Financing service HK\$'000	Factoring service HK\$'000	Financial leasing service HK\$'000	Total HK\$'000
Assets				
Segment assets	676,500	148,843	305,435	1,130,778
Interests in associates				376
Unallocated assets				333,518
Total assets				1,464,672
Liabilities				
Segment liabilities	214	1,336	–	1,550
Unallocated liabilities				29,546
Total liabilities				31,096

As at 31 March 2016

	Financing service HK\$'000	Factoring service HK\$'000	Financial leasing service HK\$'000	Total HK\$'000
Assets				
Segment assets	1,844,647	143,400	322,763	2,310,810
Interests in associates				695
Unallocated assets				357,405
Total assets				2,668,910
Liabilities				
Segment liabilities	227	190	–	417
Unallocated liabilities				343,905
Total liabilities				344,322

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments other than part of interests in associates, club debentures, deferred tax asset, short term bank deposits, bank balances and cash, and certain corporate assets for central administrative uses. All liabilities are allocated to reportable segments other than taxation payable, liabilities under shareholders' agreements, redeemable convertible preference shares and certain corporate liabilities incurred for central administrative purpose.

Geographical information

Revenue reported above represents income generated from external customers in China of HK\$8,984,000 (HK\$12,648,000 for the six months ended 30 September 2015), income generated from external customers outside China of HK\$1,636,000 (nil for the six months ended 30 September 2015) and loan interest income generated from a joint venture in China of HK\$3,378,000 (HK\$17,679,000 for the six months ended 30 September 2015).

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging (crediting) the following items:

	1.4.2016 to 30.9.2016 HK\$'000 (Unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)
(Reversal of) impairment losses on advances provided to customers	(2)	516
Imputed interest on redeemable convertible preference shares	349	303
Interest on bank borrowings	–	1,136
Depreciation of equipment	925	911
Operating lease rentals in respect of properties	2,636	1,818
Loss on disposal of equipment	1	–
Interest income from bank deposits	(5,004)	(5,315)
Net exchange gain	(1,954)	(1,027)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

5. TAXATION

	1.4.2016 to 30.9.2016 HK\$'000 (Unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)
The charge comprises:		
Current tax		
Enterprise Income Tax in China		
– Provision for the current period	2,004	2,506
– Underprovision in prior year	–	6
	2,004	2,512
Deferred taxation	1	(129)
	2,005	2,383

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in China from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the accumulated profits of the subsidiaries in China amounting to HK\$17,507,000 (31 March 2016: HK\$13,039,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. DIVIDENDS

	1.4.2016 to 30.9.2016 HK\$'000 (Unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)
Dividends recognised as distribution and paid during the period:		
Final dividends of HK 1.5 cents per share in respect of the year ended 31 March 2016 (2015: In respect of the year ended 31 March 2015 of HK 1.5 cents per share)	41,429	41,429

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2016 (nil for the six months ended 30 September 2015).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

7. (LOSS) EARNINGS PER SHARE

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

	1.4.2016 to 30.9.2016 HK\$'000 (Unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	(786,027)	64,462
Number of shares:	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,761,913	2,754,045
Effect of dilutive potential ordinary shares: Share options (Note)	–	33,815
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	2,761,913	2,787,860

Note: The computation of diluted loss per share for the six months ended 30 September 2016 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in decrease in loss per share for the period.

8. MOVEMENTS IN EQUIPMENT

During the period, the Group incurred HK\$348,000 (HK\$185,000 for the six months ended 30 September 2015) to acquire equipment for its business use.

In addition, the Group disposed of certain equipment with an aggregate carrying amount of HK\$1,000 for cash proceeds of nil, resulting in a loss on disposal of HK\$1,000 for the six months ended 30 September 2016. There was no such disposal in the six months ended 30 September 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

9. INTEREST IN A JOINT VENTURE/LOAN TO A JOINT VENTURE

	30.9.2016	31.3.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cost of investment in a joint venture, unlisted	1,030,637	1,051,440
Share of post-acquisition (loss) profit and other comprehensive expenses, net of dividends received	(485,023)	261,993
Impairment, net of other gain	545,614 (57,243)	1,313,433 –
	488,371	1,313,433

Particulars of the joint venture as at 30 September 2016 and 31 March 2016 are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital		Effective ownership interest indirectly held by the Group		Proportion of voting power held		Principal activity
			30.9.2016	31.3.2016	30.9.2016	31.3.2016	30.9.2016	31.3.2016	
Rongzhong Group Limited ("Rongzhong Group") (Note)	Limited	British Virgin Islands/China	US\$34,276,000	US\$34,275,000	40%	40%	40%	40%	Provision for financing and loan guarantee services

Note: Based on the legal form and terms of the contractual arrangements, the interest in Rongzhong Group is classified as joint venture as the major decisions require the unanimous consent among the shareholders.

As at 30 September 2016, the unsecured loan to a joint venture, Rongzhong Group, bearing an effective interest rate of 10% per annum, was HK\$42,587,000 (31 March 2016: HK\$483,209,000). An amount of HK\$10,000,000 (31 March 2016: HK\$448,785,000) was expected to be settled within one year and the remaining balance of HK\$32,587,000 (31 March 2016: HK\$34,424,000) was expected to be settled more than one year.

During the current interim period, the loan to a joint venture of HK\$315,240,000 was capitalised as part of the cost of investment in a joint venture as disclosed in Note 11 and HK\$128,760,000 was assigned to Yong Hua International Limited ("Yong Hua") at its face value according to and subject to the terms of the shareholders' agreement of Rongzhong Group dated 26 October 2011 and the shareholders' resolutions of Rongzhong Group in relation to the arrangement of subscription of additional Rongzhong Group shares. At the request of Yong Hua, a loan of HK\$128,760,000 was provided by the Group to finance the payment of the consideration of the assignment. Details of the transactions are set forth in the announcement dated 18 April 2016. The loan amount was included in advances provided to customers shown under non-current assets as at 30 September 2016 in Note 11.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

9. INTEREST IN A JOINT VENTURE/LOAN TO A JOINT VENTURE (continued)

During the current interim period, share of loss of Rongzhong Group of HK\$723,852,000 was recognised in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income as a result of high level of impairment allowances on accounts receivable and advances provided to customers recorded by Rongzhong Group for the period. In addition, Rongzhong Group has capitalised its loans from shareholders of HK\$444,000,000 as share capital, which included the loan from the Group of HK\$315,240,000 as mentioned above during the period. Such capitalisation has resulted in a gain of HK\$177,600,000 being recognised by the Group.

At 30 September 2016, the management of the Group carried out an impairment review on the carrying amount of its interest in the joint venture by comparing the recoverable amount estimated using value in use with the carrying amount of the investment in Rongzhong Group. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by the joint venture, including cash flows from the operations of the joint venture and proceeds on the ultimate disposal of the investment, calculated at a discount rate of 19.4% (31 March 2016: 18.6%). Based on the assessment, the recoverable amount of the interest in the joint venture is lower than its carrying amount. Hence, an impairment, net of other gain, of HK\$57,243,000, which represented the impairment loss of HK\$234,843,000 and gain arising from share subscription of HK\$177,600,000 as mentioned above, on the interest in the joint venture was recognised in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

10. INTERESTS IN ASSOCIATES

	30.9.2016 HK\$'000 (Unaudited)	31.3.2016 HK\$'000 (Audited)
Cost of investments in associates		
Listed in Hong Kong	316,109	318,466
Unlisted	1,532	1,532
Share of post-acquisition profits and other comprehensive expense, net of dividends received	9,666	3,460
Impairment loss	327,307 (21,496)	323,458 –
	305,811	323,458

Particulars of the associates as at 30 September 2016 and 31 March 2016 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Effective ownership interest indirectly held by the Group	Proportion of voting power held	Principal activity
China Rongzhong Financial Holdings Company Limited ("China Rongzhong") (Note)	Limited	Cayman Islands/China	HK\$4,125,090	34.86%	34.86%	Provision for financial leasing service
Allied Golden Capital Fund I (Cayman) Company Limited (Note)	Limited	Cayman Islands	US\$2,000	19.90%	19.90%	Investment holding
Goldbond Capital Investments Limited (Note)	Limited	Cayman Islands	US\$400,000	49%	49%	Provision for fund management service

Note: Based on the legal form and terms of the contractual arrangements, the interests in China Rongzhong, Allied Golden Capital Fund I (Cayman) Company Limited and Gold Capital Investments Limited are classified as associates as the Group has significant influence over these associates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

10. INTERESTS IN ASSOCIATES (continued)

As at 30 September 2016, market value of the Group's listed investments in China Rongzhong based on quoted market price was approximately HK\$234,404,000 (31 March 2016: HK\$188,386,000).

At 30 September 2016, the management of the Group carried out an impairment review on the carrying amount of China Rongzhong by comparing the recoverable amount estimated using value in use with the carrying amount of the investment in China Rongzhong. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by the associate, including cash flows from the operations of the associate and proceeds on the ultimate disposal of the investment, calculated at a discount rate of 18.8% (31 March 2016: 18.5%). Based on the assessment, the recoverable amount of China Rongzhong is lower than its carrying amount. Hence, an impairment loss of HK\$21,496,000 on the interest in China Rongzhong was recognised in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

11. ADVANCES PROVIDED TO CUSTOMERS

	30.9.2016 HK\$'000 (Unaudited)	31.3.2016 HK\$'000 (Audited)
Advances provided to customers	335,448	233,285
Less: Impairment allowances	(42,393)	(43,405)
	293,055	189,880
Less: Amounts shown under current assets	(162,659)	(189,880)
Amount due after one year	130,396	–

As at 30 September 2016, the advances provided to customers, which bore fixed interest at a rate of not more than 18% (31 March 2016: 18%) per annum, were repayable according to the loan agreements and factoring facility agreements. Included in the balances, an aggregate amount of HK\$293,050,000 was secured by assets such as properties, equity interests in certain private entities in China and a fixed and floating charge executed by a private entity in the British Virgin Islands where applicable (31 March 2016: HK\$157,662,000 was secured by assets such as properties, bank's acceptance bills and equity interests in certain private entities in China).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

12. BANK BORROWING

During the six months ended 30 September 2015, the Group obtained bank borrowings of HK\$47,685,000 and repaid bank borrowings of HK\$67,644,000.

13. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS

	30.9.2016 HK\$'000 (Unaudited)	31.3.2016 HK\$'000 (Audited)
Provision for share subscription	–	315,240

As a result of the introduction of an investor, Silver Creation Investments Limited, to Rongzhong Group on 26 October 2011, Perfect Honour Limited ("Perfect Honour"), a wholly owned subsidiary of the Company, entered into two shareholders' agreements pursuant to which the provision for share subscription was recognised. Definitions of the capitalised terms and other details are set forth in the circular dated 23 September 2011 ("2011 Circular").

Pursuant to the terms of the shareholders' agreements, Perfect Honour has undertaken to, subject to the happening of any one of the two triggering events as set forth in the 2011 Circular, subscribe additional shares of Rongzhong Group at a subscription price of HK\$315,240,000. During the current interim period, the subscription was completed by way of capitalisation of loan to Rongzhong Group of HK\$315,240,000 and the provision for share subscription was released and considered in the additional cost of investment in a joint venture in Note 9.

For the year ended 31 March 2016, there were no transfers in/out for level 3 of the fair value hierarchy. The change in fair values of HK\$22,107,000 for the six months ended 30 September 2015 was recognised in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 April 2015	2,745,013	822,433
Issue of shares upon exercise of share options	16,900	6,789
Expenses incurred in connection with issue of shares	–	(13)
At 31 March 2016 and 30 September 2016	2,761,913	829,209

During the year ended 31 March 2016, 250,000, 1,300,000, 2,850,000 and 12,500,000 share options were exercised at subscription prices of HK\$0.50, HK\$0.36, HK\$0.41 and HK\$0.295 per share respectively, resulting in the issue of 16,900,000 ordinary shares in the Company.

All the shares issued during the year ended 31 March 2016 rank pari passu with the then existing shares in all respects.

15. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As at 30 September 2016, 68,400,000 (31 March 2016: 68,400,000) preference shares were in issue.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

	Number of share options
Outstanding at 31 March 2016 and 30 September 2016	351,400,000

The Group recognised total expenses of HK\$2,975,000 (HK\$3,264,000 for the six months ended 30 September 2015) relating to share option payment transactions for the six months ended 30 September 2016.

17. OPERATING LEASE COMMITMENTS

As at 30 September 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

As lessee

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

	30.9.2016 HK\$'000 (Unaudited)	31.3.2016 HK\$'000 (Audited)
Within one year	5,940	2,630
After one year but within five years	7,477	66
	13,417	2,696

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

18. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

	1.4.2016 to 30.9.2016 HK\$'000 (Unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)
Short-term employee benefits	3,302	3,243
Post-employment benefits	18	21
Share-based payments	1,756	1,788
	5,076	5,052

(b) Transactions with related parties

	1.4.2016 to 30.9.2016 HK\$'000 (Unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)
Loan interest income received from a joint venture	3,378	17,679
Rental expense paid to a related company (Note)	(2,192)	(1,314)

Note: Mr. Wong Yu Lung, Charles ("Mr. Wong") and Ms. Wong Michelle Yatye ("Ms. Wong"), directors of the Company, were considered as materially interested in the transaction as the related company was held by trusts whereby Mr. Wong and Ms. Wong were trustee and eligible beneficiary respectively.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 September 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares (“Shares”)/underlying Shares of the Company

Name of Director	Capacity	Number of Shares/underlying Shares			Total	Approximate % of Shareholding (Note 10)
		Personal Interest	Corporate Interest	Other Interest		
Mr. Wong Yu Lung, Charles (“Mr. Wong”)	Beneficial owner and trustee of discretionary trusts	103,000,000 (Note 1)	–	1,571,655,517 (Note 2)	1,674,655,517	60.63%
Ms. Wong, Michelle Yatyee (“Ms. Michelle Wong”)	Beneficial owner and beneficiary of discretionary trusts	13,000,000 (Note 3)	–	1,571,655,517 (Note 2)	1,584,655,517	57.38%
Mr. Wang Jun (“Mr. Wang”)	Beneficial owner & interest of controlled corporation	25,000,000 (Note 4)	101,251,300 (Note 5)	–	126,251,300	4.57%
Mr. Ding Chung Keung, Vincent (“Mr. Ding”)	Beneficial owner	124,230,000 (Note 6)	–	–	124,230,000	4.50%
Mr. Ma Ho Fai SBS JP (“Mr. Ma”)	Beneficial owner	2,700,000 (Note 7)	–	–	2,700,000	0.10%
Mr. Cheng Yuk Wo (“Mr. Cheng”)	Beneficial owner	4,200,000 (Note 8)	–	–	4,200,000	0.15%
Mr. Ng Chi Keung MH (“Mr. Ng”)	Beneficial owner	2,600,000 (Note 9)	–	–	2,600,000	0.09%

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

Long positions in shares of US\$0.1 each of an associated corporation, namely, Goldbond Capital Investments Limited

Name of Director	Capacity	Number of shares	Approximate % of Shareholding (Note 11)
Mr. Wong	Trustee of a trust	124,000	31%
Ms. Michelle Wong	Beneficiary of a trust	124,000	31%

Long positions in shares of HK\$0.01 each of an associated corporation, namely, China Rongzhong Financial Holdings Company Limited

Name of Director	Capacity	Number of shares	Approximate % of Shareholding (Note 12)
Ms. Michelle Wong	Trustee of a trust	20,234,242	4.91%

Notes:

1. These interests were underlying Shares derived from share options granted to Mr. Wong under the 2002 Scheme and the 2012 Scheme (as defined under the paragraph "SHARE OPTION SCHEMES" on page 35 of this report).
2. These Shares were indirectly held by two discretionary trusts. The assets of these trusts included the entire issued share capital of Allied Luck Trading Limited ("Allied Luck") (directly holding 855,808,725 Shares), Allied Golden Investment Limited ("Allied Golden") and Aceyork Investment Limited ("Aceyork") (indirectly holding 715,846,792 Shares through Ace Solomon Investments Limited ("Ace Solomon"), a company which was equally owned by Allied Golden and Aceyork). The trustees of these trusts were Mr. Wong and Mrs. Wong Fang Pik Chun ("Mrs. Wong") and the beneficiaries of these trusts were Ms. Michelle Wong and Miss Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong") and their children.

In light of the above, each of Mr. Wong and Ms. Michelle Wong is deemed to be interested in these Shares under the SFO.
3. These interests were underlying Shares derived from share options granted to Ms. Michelle Wong under the 2002 Scheme.
4. These interests were underlying Shares derived from share options granted to Mr. Wang under the 2002 Scheme.
5. These Shares were held by a company of which Mr. Wang is interested in the entire issued share capital.
6. These interests included 21,230,000 Shares and 103,000,000 underlying Shares derived from share options granted to Mr. Ding under the 2002 Scheme and the 2012 Scheme.
7. These interests included 1,200,000 Shares and 1,500,000 underlying Shares derived from share options granted to Mr. Ma under the 2002 Scheme.
8. These interests were underlying Shares derived from share options granted to Mr. Cheng under the 2002 Scheme.
9. These interests were underlying Shares derived from share options granted to Mr. Ng under the 2012 Scheme.
10. As at 30 September 2016, there was a total of 2,761,912,843 Shares in issue.
11. As at 30 September 2016, there was a total of 400,000 shares of Goldbond Capital Investments Limited in issue.
12. As at 30 September 2016, there was a total of 412,509,000 shares of China Rongzhong Financial Holdings Company Limited in issue.

Save as disclosed above, as at 30 September 2016, none of the Directors or chief executive of the Company or any of their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 September 2016, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity	Number of Shares/ underlying Shares	Total	Approximate % of Shareholding (Note 5)
Mrs. Wong	(i) Interest of spouse	103,000,000 (Note 1)	1,674,655,517	60.63%
	(ii) Trustees	1,571,655,517 (Note 2)		
Miss Jacqueline Wong	Beneficiary of the discretionary trusts	1,571,655,517 (Note 2)	1,571,655,517	56.90%
Mr. Kwok Wing-Sien ("Mr. Kwok")	Interest of spouse	1,584,655,517 (Note 3)	1,584,655,517	57.38%
Allied Luck	Beneficial owner	855,808,725	855,808,725	30.99%
Ace Solomon	Beneficial owner	715,846,792 (Note 4)	715,846,792	25.92%
Aceyork	Interest in controlled corporation	715,846,792 (Note 4)	715,846,792	25.92%
Allied Golden	Interest in controlled corporation	715,846,792 (Note 4)	715,846,792	25.92%

Notes:

- Mrs. Wong is deemed to be interested in these underlying Shares held by Mr. Wong, her spouse, for the purpose of the SFO.
- These Shares were indirectly held by two discretionary trusts. The assets of these trusts included the entire issued share capital of Allied Luck (directly holding 855,808,725 Shares), Allied Golden and Aceyork (indirectly holding 715,846,792 Shares through Ace Solomon, a company which was equally owned by Allied Golden and Aceyork). The trustees of these trusts were Mr. Wong and Mrs. Wong and the beneficiaries of these trusts were Ms. Michelle Wong and Miss Jacqueline Wong and their children.

In light of the above, each of Mrs. Wong and Miss Jacqueline Wong is deemed to be interested in these Shares.
- Mr. Kwok is deemed to be interested in these Shares/underlying Shares held by Ms. Michelle Wong, his spouse, for the purpose of the SFO.
- These Shares were held by Ace Solomon as described in Note 2 above. Allied Golden and Aceyork are taken to be interested in these Shares.
- As at 30 September 2016, there was a total of 2,761,912,843 Shares in issue.

Save as disclosed above, as at 30 September 2016, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

On 31 August 2012, the Company terminated the old share option scheme (the “2002 Scheme”) which was adopted on 18 September 2002, and adopted a new share option scheme (the “2012 Scheme”) on the same date with similar terms for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. No further share options will be granted under the 2002 Scheme, but the provisions of the 2002 Scheme remain in full force and effect to the extent necessary to give effect to the exercise of the share options (to the extent not already exercised) granted prior to its termination.

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

Grantee	Date of grant	Exercise price (HK\$)	Exercise period (Note 2)	Outstanding at 31/3/16	Outstanding at 30/9/16
Directors					
Mr. Wang	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
Mr. Wong	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	26,000,000
Mr. Ding	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	26,000,000
Ms. Michelle Wong	1/2/2011	0.410	1/2/2014 – 31/1/2021	13,000,000	13,000,000
Mr. Ma	1/2/2011	0.410	1/2/2014 – 31/1/2021	1,500,000	1,500,000
Mr. Cheng	23/5/2008	0.692	23/5/2011 – 22/5/2018	1,600,000	1,600,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	2,600,000	2,600,000
Eligible employees (in aggregate)	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	16,000,000
	17/8/2007	1.014	17/8/2010 – 16/8/2017	15,300,000	15,300,000
	23/5/2008	0.692	23/5/2011 – 22/5/2018	3,000,000	3,000,000
	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	600,000	600,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	8,400,000	8,400,000
				242,000,000	242,000,000

Other Information

SHARE OPTION SCHEMES (continued)

Details of the movements of share options under the 2012 Scheme during the Period were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period (Note 2)	Outstanding at 31/3/16	Outstanding at 30/9/16
Director					
Mr. Wong	14/10/2014	0.360	14/10/2016 – 13/10/2024	26,000,000	26,000,000
Mr. Ding	14/10/2014	0.360	14/10/2016 – 13/10/2024	26,000,000	26,000,000
Mr. Ng	28/6/2013	0.295	28/6/2015 – 27/6/2023	2,600,000	2,600,000
Eligible employees (in aggregate)	28/6/2013	0.295	28/6/2015 – 27/6/2023	14,800,000	14,800,000
	14/10/2014	0.360	14/10/2016 – 13/10/2024	40,000,000	40,000,000
				<u>109,400,000</u>	<u>109,400,000</u>

Notes:

1. During the Period, no share options were granted, exercised, lapsed or cancelled under the 2002 Scheme and the 2012 Scheme; and
2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

CHANGE IN INFORMATION OF DIRECTOR

Save as listed below, up to the date of this interim report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Ng retired as the Vice President of Diabetes Hongkong on 9 July 2016 and he also resigned as a member of the Institute of Chartered Secretaries and Administrators on 7 October 2016.

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.

FORWARD-LOOKING STATEMENTS

This interim report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.