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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: 172)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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 2010 (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 2010

		<b>1 April 2010 to 30 September 2010</b>	1 April 2009 to 30 September 2009
	<i>Notes</i>	<b>HK\$’000</b> <b>(unaudited)</b>	<b>HK\$’000</b> <b>(unaudited)</b>
Turnover	3	<b>143,473</b>	165,165
Other income		<b>2,435</b>	3,577
Change in fair value of derivative component of convertible note		–	873
Staff costs		<b>(26,364)</b>	(33,274)
Other operating expenses		<b>(37,451)</b>	(40,378)
Share of loss of an associate		<b>(581)</b>	(14)
Finance costs		<b>(11,675)</b>	(10,211)
Profit before taxation	4	<b>69,837</b>	85,738
Taxation	5	<b>(23,902)</b>	(19,948)
Profit for the period		<b>45,935</b>	65,790

		<b>1 April 2010 to 30 September 2010</b>	1 April 2009 to 30 September 2009
	<i>Note</i>	<b>HK\$'000</b> <b>(unaudited)</b>	<b>HK\$'000</b> <b>(unaudited)</b>
<b>Other comprehensive income</b>			
Exchange differences arising on translation		<b>30,251</b>	–
Total comprehensive income for the period		<b>76,186</b>	65,790
Profit for the period attributable to:			
Owners of the Company		<b>33,973</b>	60,416
Non-controlling interests		<b>11,962</b>	5,374
		<b>45,935</b>	65,790
Total comprehensive income attributable to:			
Owners of the Company		<b>62,003</b>	60,416
Non-controlling interests		<b>14,183</b>	5,374
		<b>76,186</b>	65,790
Earnings per share	7		
– Basic		<b>1.24 cents</b>	2.26 cents
– Diluted		<b>1.23 cents</b>	2.25 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

		30 September 2010	31 March 2010
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Plant and equipment		7,524	7,162
Interest in an associate		56,587	55,890
Goodwill		103,686	103,686
Intangible assets		1,486	1,665
Finance leases receivable		215,235	114,882
Club debentures		16,925	16,545
		<u>401,443</u>	<u>299,830</u>
<b>Current assets</b>			
Properties held for sale		9,207	9,000
Amount due from an associate		13,263	–
Loans receivable		89,058	161,220
Accounts receivable and advances provided to customers	8	995,610	928,201
Finance leases receivable		93,127	55,424
Prepayments and deposits		7,443	8,111
Security deposits		163,288	172,849
Short term bank deposits			
– with original maturity within three months		115,465	172,638
– with original maturity more than three months		131,162	81,356
Bank balances and cash		232,586	198,559
		<u>1,850,209</u>	<u>1,787,358</u>
<b>Current liabilities</b>			
Amount due to an associate		–	3,046
Other payables and accrued charges		57,541	36,702
Deposits from loan guarantee customers		155,688	133,017
Deposits from finance lease customers		4,214	–
Deferred income		32,371	29,027
Taxation		34,479	25,876
Bank borrowings – amount due within one year		193,816	52,809
Liabilities arising from loan guarantee contracts	9	9,291	10,180
		<u>487,400</u>	<u>290,657</u>
Net current assets		<u>1,362,809</u>	<u>1,496,701</u>
Total assets less current liabilities		<u><u>1,764,252</u></u>	<u><u>1,796,531</u></u>

	<b>30 September 2010</b>	31 March 2010
	<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> <b>(audited)</b>
<b>Capital and reserves</b>		
Share capital	<b>274,456</b>	274,456
Reserves	<b>1,104,279</b>	1,090,838
Equity attributable to owners of the Company	<b>1,378,735</b>	1,365,294
Non-controlling interests	<b>135,665</b>	121,482
Total equity	<b>1,514,400</b>	1,486,776
<b>Non-current liabilities</b>		
Deposits from finance lease customers	<b>3,398</b>	7,780
Deferred income	<b>17,289</b>	21,274
Bank borrowings – amount due after one year	<b>212,797</b>	261,798
Redeemable convertible preference shares	<b>2,238</b>	2,087
Deferred taxation	<b>14,130</b>	16,816
	<b>249,852</b>	309,755
	<b>1,764,252</b>	1,796,531

Notes:

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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 “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2010 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new or revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resources allocation and performance assessment are as follows:

- (a) Provision of financing service including financing, project financing and consultancy service;
- (b) Provision of loan guarantee service for financing of motor vehicles, real estate property and SME working capital, etc.; and
- (c) Provision of financial leasing service.

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

**Six months ended 30 September 2010**

	<b>Financing service</b>	<b>Loan guarantee service</b>	<b>Financial leasing service</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note)</i>		<i>(Note)</i>	
Revenue from external customers	<b>102,045</b>	<b>27,557</b>	<b>13,871</b>	<b>143,473</b>
Segment results	<b>74,273</b>	<b>14,748</b>	<b>5,809</b>	<b>94,830</b>
Investment income				<b>2,009</b>
Unallocated corporate income and expenses:				
– other administrative income and expenses				<b>(15,694)</b>
– exchange loss				<b>(6,832)</b>
Finance costs				<b>(3,895)</b>
Share of loss of an associate				<b>(581)</b>
Profit before taxation				<b>69,837</b>

**Six months ended 30 September 2009**

	<b>Financing service</b>	<b>Loan guarantee service</b>	<b>Financial leasing service</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Note)</i>	
Revenue from external customers	<b>138,421</b>	<b>23,945</b>	<b>2,799</b>	<b>165,165</b>
Segment results	<b>103,147</b>	<b>6,614</b>	<b>1,068</b>	<b>110,829</b>
Investment income				<b>2,066</b>
Change in fair value of derivative component of convertible note				<b>873</b>
Unallocated corporate income and expenses:				
– other administrative income and expenses				<b>(18,268)</b>
– exchange loss				<b>(481)</b>
Finance costs				<b>(9,267)</b>
Share of loss of an associate				<b>(14)</b>
Profit before taxation				<b>85,738</b>

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

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

*Note:* Included in segment results are finance costs of HK\$7,780,000 (HK\$944,000 for the six months ended 30 September 2009) attributable to the financing service and the financial leasing service businesses.

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

**As at 30 September 2010**

	<b>Financing service</b>	<b>Loan guarantee service</b>	<b>Financial leasing service</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Segment assets	<u>1,176,319</u>	<u>201,663</u>	<u>310,035</u>	1,688,017
Interest in an associate				56,587
Unallocated assets				<u>507,048</u>
Total assets				<u><u>2,251,652</u></u>

**As at 31 March 2010**

	<b>Financing service</b>	<b>Loan guarantee service</b>	<b>Financial leasing service</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Segment assets	<u>1,151,172</u>	<u>195,833</u>	<u>204,255</u>	1,551,260
Interest in an associate				55,890
Unallocated assets				<u>480,038</u>
Total assets				<u><u>2,087,188</u></u>

For the purposes of monitoring segment performance and allocating resources between segments, the chief executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to operating segments other than properties held for sale, club debentures, bank balances and cash, short term bank deposits, and certain corporate assets for central administrative use.

#### 4. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging (crediting) the following items:

	<b>1 April 2010 to 30 September 2010</b>	1 April 2009 to 30 September 2009
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest on:		
Bank and other borrowings	11,524	6,761
Convertible note	–	3,319
Redeemable convertible preference shares	151	131
	<b>11,675</b>	10,211
Allowance for bad and doubtful debts	5,772	6,102
Amortisation of intangible assets	218	213
Depreciation of plant and equipment	1,983	2,276
Interest income	(2,009)	(2,066)
Operating lease charges in respect of properties	5,658	5,746

#### 5. TAXATION

	<b>1 April 2010 to 30 September 2010</b>	1 April 2009 to 30 September 2009
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
The charge comprises:		
Enterprise Income Tax in China	26,975	19,386
Deferred taxation	(3,073)	562
	<b>23,902</b>	19,948

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 undistributable retained profits of HK\$386,178,000 (31 March 2010: HK\$317,590,000) earned by the subsidiaries in China since 1 January 2008. The directors are of the opinion that 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 be reversed in the foreseeable future.

## 6. DIVIDENDS

<b>1 April 2010 to 30 September 2010</b>	1 April 2009 to 30 September 2009
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Dividends recognised as distribution and paid during the period:

Final dividends of HK2 cents per share in respect of the year ended 31 March 2010 (31 March 2009: HK4 cents per share)	<b>54,891</b>	106,783
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The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2010 (Nil for the six months ended 30 September 2009).

## 7. EARNINGS PER SHARE

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

<b>1 April 2010 to 30 September 2010</b>	1 April 2009 to 30 September 2009
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

### Earnings:

Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<b>33,973</b>	60,416
	<i>'000</i>	<i>'000</i>

### Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,744,563</b>	2,669,563
Effect of dilutive potential ordinary shares: Share options	<b>18,280</b>	17,365
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,762,843</b>	2,686,928

## 8. ACCOUNTS RECEIVABLE AND ADVANCES PROVIDED TO CUSTOMERS

	<b>30 September 2010</b>	31 March 2010
	<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> (audited)
Advances provided to customers	<b>848,087</b>	762,240
Accounts receivable	<b>191,382</b>	204,878
	<b>1,039,469</b>	967,118
Less: Allowance for bad and doubtful debts		
– advances provided to customers	<b>(23,595)</b>	(23,065)
– accounts receivable	<b>(20,264)</b>	(15,852)
	<b>995,610</b>	928,201

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

	<b>30 September 2010</b>	31 March 2010
	<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> (audited)
Outstanding balances aged:		
– within one month	<b>264,951</b>	341,327
– more than one month but less than three months	<b>152,852</b>	104,577
– more than three months but less than six months	<b>248,334</b>	121,119
– more than six months	<b>329,473</b>	361,178
	<b>995,610</b>	928,201

## 9. LIABILITIES ARISING FROM LOAN GUARANTEE CONTRACTS

Liabilities arising from loan guarantee contracts represent the management's best estimate of the Group's liability based on prior experience and default history of the loan guarantee business.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Despite the continued strong pace of growth in China's economy during the first half of 2010/11, the rising inflation rate in China has triggered concern of overheating economy, particularly in the real estate property market. A number of measures were imposed by the Chinese government to tighten the market liquidity resulting in adjustments to the property market in China. Under this uncertain economic environment, the Group has adhered to its conservative risk management approach in new business development and allocated more resources to financial leasing business to capture the long term growth opportunity.

## **FINANCIAL RESULTS**

For the six months ended 30 September 2010, the Group's turnover amounted to approximately HK\$143,473,000 (corresponding period in 2009: HK\$165,165,000), representing a decrease of 13%. Profit after tax attributable to the owners of the Company for the Period was approximately HK\$33,973,000 (corresponding period in 2009: HK\$60,416,000), representing a decrease of 44%. The decrease in both turnover and profit after tax attributable to the owners of the Company was mainly due to the drop in income from financing of a property development project in Zhuhai, China by approximately HK\$23,133,000 in accordance with the accelerated loan repayment schedule accepted in August 2009.

The Group's functional currency is Renminbi ("RMB"). Due to the appreciation of RMB during the Period under review, the Group had charged an exchange loss of approximately HK\$6,832,000 on non-RMB denominated net assets to profit for the Period and recognised an exchange gain of approximately HK\$28,030,000 arising from re-translation of RMB to HK\$, which is the Group's presentation currency, as other comprehensive income in accordance with the Hong Kong Accounting Standard 21. Taking into account this exchange gain, the total comprehensive income attributable to the owners of the Company for the Period was approximately HK\$62,003,000, representing a slight increase of 2.6% comparing to that of the corresponding period in 2009.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend in respect of the results for the six months ended 30 September 2010 (corresponding period in 2009: nil).

## **BUSINESS REVIEW**

The Group is engaged principally in the provision of non-bank financial services, comprising financing, loan guarantee and financial leasing services, to high quality small-to-medium enterprises ("SMEs"), high net-worth individuals and retail customers in China. Apart from the project financing loans executed through Famous Apex Limited, a wholly owned subsidiary, the Group carries out all these business activities in China through Rongzhong Group Limited ("Rongzhong"), a 71% owned subsidiary, and its subsidiaries (collectively "Rongzhong Group").

In May and August 2007, the Group and Rongzhong entered into two loan agreements, pursuant to which the Group conditionally agreed to make available revolving loan facilities of HK\$60 million and HK\$500 million respectively to Rongzhong as general working capital at an interest rate of 16% per annum. In March 2010, the Group and Rongzhong entered into a new loan agreement, pursuant to which the Group conditionally agreed to make available a revolving loan facility of HK\$900 million to Rongzhong for repayment of the aforesaid two loan agreements and as general working capital at an interest rate of 10% per annum. During the Period, Rongzhong has utilised this new loan facility to repay the aforesaid two loan agreements. As at 30 September 2010, the total outstanding loan amounted to HK\$606,000,000 (31 March 2010: HK\$536,192,000).

As at 30 September 2010, the Group has more than 20 operating offices in the following provinces and municipality: Guangdong, Hubei, Hunan, Jiangsu, Sichuan, Zhejiang and Chongqing. These offices are responsible to serve customers in the respective region with respect to all business services offered by the Group. The performance analysis of each business service for the Period is as follows:

## **Financing**

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

The Group offers customers various types of financing service, consisting of the provision of bridging loans for application or renewal of banking facilities, deposits for tender bidding, financing for management buyout, acquisition, disposal and project development, as well as investment management service.

As at 30 September 2010, the Group had gross advances to customers of approximately HK\$848,087,000 (31 March 2010: HK\$762,240,000) and project financing loans receivable from Zhuhai project of HK\$89,058,000 (31 March 2010: HK\$161,220,000), representing an increase of 11% and a decrease of 45% respectively. The sharp decrease in project financing loans receivable was resulted from an aggregate settlement of approximately HK\$80,706,000 received during the Period under review. For the six months ended 30 September 2010, this loan portfolio generated a total turnover of approximately HK\$100,852,000 (corresponding period in 2009: HK\$138,421,000) to the Group, representing a decrease of 26% which was mainly the result of:

1. the accelerated repayment schedule for the project financing loans receivable which reduced approximately HK\$23,133,000 interest earned during the Period as compared to that of the corresponding period in 2009; and
2. the more stringent controls in new business development in view of the uncertainty of the property market in China since real estate property assets are the most common collateral to secure advances to customers.

As at 30 September 2010, there were three investment management companies in Wuhan, Taizhou and Guangzhou and a private equity fund with mandates to seek and invest in quality venture companies in the respective region through mainly debt investment.

With the extensive network established over the years, the Group will continue capitalizing the existing platform for sustainable growth.

## **Loan Guarantee**

The Group provides loan guarantee service in seven cities of China, namely Changsha, Chengdu, Chongqing, Wuhan, Guangzhou, Nanjing and Hangzhou. The principal activities are the provision of loan guarantee and related services to individuals and SMEs against the following major loan types: (1) motor vehicle; (2) real estate property; and (3) SME working capital, etc.

For the six months ended 30 September 2010, the Group had issued new loan guarantees in an aggregate amount of approximately RMB1 billion (corresponding period in 2009: RMB2.5 billion), representing a decrease of 60%. The turnover of loan guarantee business for the Period, however, increased by 15% to approximately HK\$27,557,000 (corresponding period in 2009: HK\$23,945,000) which was mainly contributed by the discontinuation of those low fee and cost inefficient loan guarantee products during the Period. The Group will continue monitoring the market demand and the product mix to ensure a balanced return for the loan guarantee business.

Guarantee income is recognised over the life of the guarantee contracts and, as at 30 September 2010, the deferred income amounted to approximately HK\$49,018,000 (31 March 2010: HK\$49,715,000) which would be recognised in the forthcoming three financial years.

## **Financial Leasing**

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

Leveraging on banking facilities from Agricultural Bank of China, China Development Bank, China Merchants Bank and Hankou Bank, Rongzhong Finance Lease recorded a remarkable growth in the Period. As at 30 September 2010, the carrying value of finance leases receivable amounted to approximately HK\$308,362,000 (31 March 2009: HK\$170,306,000), representing an increase of 81%. For the six months ended 30 September 2010, the contributed turnover was approximately HK\$13,871,000 (corresponding period in 2009: HK\$2,799,000), representing an increase of 396%.

In order to prepare for long term growth of the financial leasing business, the Group had strengthened the capital base of Rongzhong Finance Lease by completing the second phase capital injection of US\$10 million in September 2010. As at 30 September 2010, the total registered capital of Rongzhong Finance Lease was US\$20 million.

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

## **OUTLOOK**

The current economic environment in China is rather uncertain and various challenges exist, such as property asset bubbles and inflation hike. It is believed that the Chinese government will continue implementing proactive financial policies to tighten the market liquidity in order to take the overheating risks out of the economy. Since the impact of these macro-economic controls is uncertain at this stage, the Group will, in the second half of 2010/11, continue tightening the credit risk monitoring controls over the existing customer portfolio, retracting from less lucrative business and being conservative in new business development, particularly in both short term financing and loan guarantee businesses.

In a longer term, the Group is of the view that China will remain the fastest-growing among the world's biggest economies and continue offering great opportunity to grow in industrial and manufacturing sectors, especially those targeting domestic consumption. With the extensive business and distribution network in central region of China, the Group sees ample opportunity to grow in medium term equipment and machinery financing business, particularly in financial leasing service which only represents a very small portion of financing sources in China currently. Given the existing leasing penetration rate in China is relatively low, the Group anticipates that, along with the steady economic growth in China, this leasing penetration rate in China will ultimately reach to the level of those developed countries, representing a big room for expansion. Accordingly, more resources will be put in the financial leasing business to capture this huge growth potential in the coming years. In term of business expansion, the Group will continue exploring new investment opportunities and is confident in creating sustainable value to the shareholders of the Company.

## **FINANCIAL REVIEW**

### **Financial Resources and Capital Structure**

The Group always maintains strong cash position and sufficient capital for business development. As at 30 September 2010, the aggregate sum of cash, bank balances and short term bank deposits amounted to approximately HK\$479,213,000 (31 March 2010: HK\$452,553,000). The working capital (current assets less current liabilities) and the total equity of the Group were approximately HK\$1,362,809,000 (31 March 2010: HK\$1,496,701,000) and approximately HK\$1,514,400,000 (31 March 2010: HK\$1,486,776,000) respectively.

All bank borrowings of the Group were granted by banks in China and are denominated in RMB bearing variable interest with reference to the rate offered by the People's Bank of China. As at 30 September 2010, the total bank borrowing of the Group was approximately HK\$406,613,000 (31 March 2010: HK\$314,607,000) in which approximately HK\$193,816,000 (31 March 2010: HK\$52,809,000) would be repayable within one year and approximately HK\$212,797,000 (31 March 2010: HK\$261,798,000) would be repayable after one year. The increase in total bank borrowing was solely to support the expansion of financial leasing business during the Period.

At present, the Group has not used any derivative to hedge against the interest rate risk exposure.

### **Liquidity and Gearing Ratio**

The Group's strong liquidity position is shown by the high current ratio maintained throughout the Period. As at 30 September 2010, the current ratio (current assets/current liabilities) of the Group was 3.80 times (31 March 2010: 6.15 times). The drop was largely due to the reclassification of bank borrowing from non-current liabilities to current liabilities in accordance with the loan maturity date.

As the economic environment in China is rather uncertain at this stage, it is the Group's intention to maintain a fairly low level of gearing ratio. As at 30 September 2010, the debt-to-equity ratio (total bank borrowing/total equity) of the Group was 26.8% (31 March 2010: 21.2%) while the net debt position was nil (31 March 2010: nil) after considering the cash position maintained by the Group.

## **Charges on Group Assets**

As at 30 September 2010, the bank borrowings of the Group were secured by the following:

- (a) a charge over the Group's and the minority shareholders' indirect interests in Rongzhong Capital Investment Group Limited# (融眾資本投資集團有限公司); and
- (b) certain finance leases receivable of the Group with an aggregate carrying value of approximately HK\$161,175,000 (31 March 2010: HK\$90,186,000).

As at 30 September 2010, the guarantee facilities granted to the Group by banks in China were secured by the security deposits in an aggregate amount of approximately HK\$163,288,000 (31 March 2010: HK\$172,849,000).

## **Exposure to Fluctuations in Exchange Rates**

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

## **CONTINGENT LIABILITIES**

The Group provides loan guarantee service to customers in China. As at 30 September 2010, the Group had the contingent liabilities in relation to the loan guarantee business of approximately HK\$3,549,631,000 (31 March 2010: HK\$3,932,711,000) in which approximately HK\$9,291,000 (31 March 2010: HK\$10,180,000) were recognised in the condensed consolidated statement of financial position as liabilities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2010, the Group had approximately 430 staffs 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**

Throughout the Period, the Company has applied the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

## **PUBLICATION OF FURTHER INFORMATION**

The 2010/11 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, Vincent, Mr. Kee Wah Sze, Mr. Xie Xiao Qing and Ms. Wong, Michelle Yatye; (b) the independent non-executive directors of the Company are Mr. Ma Ho Fai SBS JP, Mr. Melvin Jitsumi Shiraki and Mr. Cheng Yuk Wo.*

By Order of the Board  
**Ding Chung Keung, Vincent**  
*Chief Executive Officer*

Hong Kong, 29 November 2010

*# For identification purpose only*