



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

Interim Report 2008/09

stock code: 00172



## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Jun (*Chairman*)  
Mr. Wong Yu Lung, Charles  
(*Deputy Chairman and Chief Executive Officer*)  
Mr. Ding Chung Keung, Vincent  
(*Deputy Chief Executive Officer*)  
Mr. Lan Ning  
(*Deputy Chief Executive Officer, China Region*)  
Mr. Kee Wah Sze  
Mr. Xie Xiao Qing  
Miss Wong, Michelle Yatye

### Independent non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## SECRETARY

Ms. Li Yu Lian, Kelly

## AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## REGISTERED OFFICE

Units 1901-06, 19/F., Tower One  
Lippo Centre  
89 Queensway  
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
46th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## LEGAL ADVISER

Iu, Lai & Li

## PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited  
CITIC Ka Wah Bank Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

## WEBSITES

<http://www.goldbondgroup.com>  
<http://finance.thestandard.com.hk/en/0172goldbond>

## STOCK CODE

00172

# Management Discussion and Analysis

During the six months ended 30 September 2008, Goldbond Group Holdings Limited (the “Company”)’s 71% owned subsidiary, Rongzhong Group Limited (“Rongzhong”) and its subsidiaries (collectively “Rongzhong Group”) had extended its business line to provide finance lease services to customers since August 2008. In May 2008, Rongzhong Group launched a private equity fund with several business partners in the PRC to capture the potential investment opportunities of the PRC debt and capital market. Together with the steady economic growth in the PRC, strong business network and effective risk management strategy of the Company and its subsidiaries (the “Group”), all of these moves have made a positive contribution to the result of the Group during the period despite of the recent global financial crisis.

## RESULTS AND DIVIDEND

Turnover of the Group for the six months ended 30 September 2008 was approximately HK\$187,447,000 (for the six months ended 30 September 2007: HK\$62,073,000), an increase of 202% over the same period of last year. The increase was mainly contributed by the increase in income from providing financial services to customers in the PRC. Profit after tax attributable to the equity holders of the Company was approximately HK\$90,226,000, representing a decrease of 8.4% as compared to approximately HK\$98,481,000 in the corresponding period in 2007. The decrease was mainly due to several exceptional events which were the gain on disposal of associates of HK\$33,059,000, the gain on disposal of property leasing and development business of HK\$24,453,000 and the reallocation of accumulated losses of HK\$34,093,000 to minority interests resulting from the subscription of additional shares of Rongzhong by minority shareholders in 2007, and the change in fair value of derivative component of convertible note of HK\$10,610,000 in the current period. Net of the effect of these exceptional events, the profit after tax attributable to equity holders of the Company had gone up by 1,058%.

Included in the profit after tax attributable to the equity holders for the six months ended 30 September 2008, there were some non-cash items which included, but not limited to, notional interest on zero coupon convertible notes of HK\$5,045,000 (for the six months ended 30 September 2007: HK\$2,962,000), notional interest on redeemable convertible preference shares of HK\$115,000 (for the six months ended 30 September 2007: HK\$99,000) and equity-settled share based payment expenses of HK\$7,812,000 (for the six months ended 30 September 2007: HK\$2,690,000).

The Board did not recommend the payment of dividend in respect of the results for the six months ended 30 September 2008 (for the six months ended 30 September 2007: nil).

## BUSINESS REVIEW

### Rongzhong

The Group has 71% equity interest in Rongzhong as at 30 September 2008. For the six months ended 30 September 2008, Rongzhong Group contributed a turnover of approximately HK\$163,361,000 (for the six months ended 30 September 2007: HK\$56,706,000). Guarantee income is recognized over the life of the guarantee contracts and, as at 30 September 2008, the deferred income amounted to approximately HK\$37,362,000 which would be recognized in the forthcoming three financial years.

As a result of the continuous promotion on domestic spending (versus exports) by the PRC government and its strict control towards the overheated stock and property market, bank borrowing became strenuous. Hence, the demand for bridge financing grew tremendously which created an opportunity for the Group to grow.

In May and August 2007, the Group entered into two loan agreements with Rongzhong, pursuant to which the Group conditionally agreed to advance a HK\$60 million and a HK\$500 million revolving loan facility respectively to Rongzhong as general working capital at an interest rate of 16% per annum. As at 30 September 2008, the total outstanding loan amounted to HK\$497,104,000.

## 1. *Loan Guarantee*

Rongzhong Group carries on loan guarantee business in seven cities in the PRC, namely Changsha, Chengdu, Chongqing, Wuhan, Guangzhou, Nanjing and Hangzhou, principally engaging in the provision of guarantee and related services for individuals in relation to the following major types of loans: (1) consumable purchase; (2) educational fund; (3) residential renovation; (4) mobile phones; (5) motor vehicle; (6) real estate property and (7) SME working capital. The total guarantee amount of Rongzhong Group issued in the period under review amounted to approximately RMB2,085,179,000 (for the six months ended 30 September 2007: RMB1,961,938,000). Currently, Rongzhong Group has established working relationship with the following banks:

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

## 2. *Bridge Financing*

Rongzhong Group first launched the bridge financing services in Wuhan, the PRC, in April 2006. Since then, such services have been extended to serve customers in Chongqing, Chengdu and Jiangsu. In November 2008, it commenced to offer such services to customers in Guangzhou.

Rongzhong Group provides different types of bridge financing services including but not limited to the provision of bridging loans for management buyout, to SME and property developers for short term working capital needs. As at 30 September 2008, Rongzhong Group maintained a gross loan portfolio of approximately HK\$843,172,000 (31 March 2008: HK\$625,238,000). This loan portfolio continues to achieve an attractive yield.

Rongzhong Group will continue expanding the bridge financing business to other mainland cities when opportunities arise. To fully utilize our extensive network throughout the many platforms we had built over the years, Rongzhong Group intends to further expand into locations which we had been providing guarantee services, namely: Hangzhou and Changsha.

# Management Discussion and Analysis

## 3. *Consultancy and Management Services*

In 2007, Rongzhong Group established business consultancy division to provide advisory services on investment, financing and financial management to customers in the PRC. For the six months ended 30 September 2008, these services contributed a turnover of approximately HK\$44,605,000 (for the six months ended 30 September 2007: HK\$6,035,000) to the Group.

## 4. *Finance Lease*

In April 2008, Rongzhong Group was granted a wholly-foreign owned leasing licence by the Ministry of Commerce in the PRC. In August 2008, Rongzhong International Financial Leasing Co., Ltd. (融眾國際融資租賃有限公司) first launched its finance lease service in Wuhan, the PRC, contributing a turnover of approximately HK\$334,000 for the six months ended 30 September 2008. The Board believes that the leasing licence can further complement our existing service portfolio and can provide stable income source in the foreseeable future by capitalizing on Rongzhong Group's business network, financing backing and industry relationships.

## 5. *Private Equity Fund*

Launched in May 2008, Wuhan Rongzhong Growth Fund\* (武漢融眾高成長投資中心) ("Growth Fund") is a private equity fund seeking opportunities for investment primarily in the PRC where Rongzhong's operating expertise and sector knowledge can guide the strategic direction of its portfolio and create sustainable value. As at 30 September 2008, the fully paid-up capital was approximately RMB183 million in which Rongzhong Group has 27.34% equity interest contributing a profit after tax of approximately HK\$1,792,000 to the Group during the period under review.

## **Famous Apex**

In September 2007, Famous Apex Limited ("Famous Apex") entered into two loan agreements with Zhuhai Poly Sanhao Company Limited\* (珠海市保利三好有限公司) ("Poly Sanhao") and Worldpro International Investment Limited ("Worldpro"), pursuant to which Famous Apex conditionally agreed to make available term loans of RMB100 million and RMB15 million to Poly Sanhao and Worldpro respectively. The loan of RMB100 million was secured by mortgages of the 85% equity interest in Zhuhai City China-King Real Estate Co., Ltd.\* (珠海市中廣置業有限公司) and 51% equity interest in Poly Sanhao. The loan of RMB15 million was secured by the first fixed and floating charge on all assets owned by Worldpro and mortgage of the entire issued share capital of Worldpro. The loans were fully drawn in January 2008 and collectively provide the Group with a potential investment return of over 33% per annum for a term of three years. For the six months ended 30 September 2008, the loans contributed a turnover of approximately HK\$24,086,000 (for the six months ended 30 September 2007: nil) to the Group.

## **Future Plans**

Although the income and profitability levels of the Group remained satisfactory during the period under review, the market condition in the foreseeable future will be challenging as a result of the unstable financial markets and the risk of economic downturn. The demand for SME loans and bridge financing in future period is expected to increase sharply and that is a good opportunity for the Group to capture more market share in this segment. The Group will continue to be conservative in developing new business in order to maintain the existing quality of the loan portfolio. In term of business expansion, the Group will continue to explore new investment opportunities with an aim to provide full spectrum of financial and business consultancy services to customers.

\* For identification purpose only

## FINANCIAL REVIEW

### Liquidity and Capital Resources

As at 30 September 2008, the Group had outstanding bank borrowings of RMB135,000,000 (31 March 2008: RMB100,000,000) granted by several banks in the PRC and secured by the properties held for sale and the charges over the Group's and the minority shareholders' indirect interests in Rongzhong Investment Group Limited# (融眾投資集團有限公司) ("Rongzhong Investment"), a subsidiary of the Company. The Company, Rongzhong Investment and a director of the Company had given guarantees to a bank to secure a bank borrowing of not more than RMB100,000,000 (equivalent to approximately HK\$112,360,000) in aggregate. The guarantee provided by the Company was in proportion to its 71% equity interest in the borrower. Besides, Rongzhong Investment had given guarantee to another bank to secure another bank borrowing of not more than RMB9,000,000 (equivalent to approximately HK\$10,112,000) in aggregate. All these banking facilities bore interest with reference to the rate offered by the People's Bank of China. In addition, the Group had other unsecured borrowings of RMB31,500,000 (31 March 2008: nil) bearing interest from 2% to 2.8% per month.

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

On 2 October 2007, the Company issued a convertible note with a principal amount of HK\$135,000,000 to a related company with a maturity date on 2 October 2010 for the acquisition of an additional 20% issued share capital of Rongzhong. The note is interest free and may be converted into ordinary shares at a conversion price of HK\$1.08 per ordinary share, subject to adjustment upon the occurrence of certain events. A goodwill of HK\$103,686,000 was recognized. The convertible note was split into liability and derivative components. As at 30 September 2008, the liability component amounted to HK\$112,331,000 and the fair value of derivative component amounted to HK\$7,460,000. A gain on change in fair value of derivative component of HK\$10,610,000 was recorded during the period under review.

The Group had maintained adequate liquidity with cash and bank balances of HK\$334,442,000 (31 March 2008: HK\$429,592,000). The net debt to equity ratio as at 30 September 2008 was as follows:

	<b>30 September 2008</b>	31 March 2008
	<b>HK\$'000</b>	HK\$'000
Debt ( <i>Note a</i> )	<b>187,078</b>	109,890
Cash and cash equivalents	<b>(334,442)</b>	(429,592)
Net debt	<b>(147,364)</b>	(319,702)
Equity ( <i>Note b</i> )	<b>1,249,180</b>	1,113,943
Net debt to equity ratio ( <i>Note c</i> )	<b>N/A</b>	N/A

#### Notes:

- (a) Debt comprises bank and other borrowings.
- (b) Equity includes all capital, reserves and minority interests of the Group.
- (c) Not applicable as no net debt as at 30 September 2008 and 31 March 2008.

# For identification purpose only

# Management Discussion and Analysis

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

## **Effect on Exchange Rate Fluctuation**

Since 1 July 2007, the functional currency of the Company and Rongzhong Group has changed from Hong Kong dollars to Renminbi ("RMB") because the majority of their operations are in the PRC. As a result, most of the gain on the translation of RMB assets under the sustaining appreciation of exchange rate for RMB were recorded in the translation reserve. Accordingly, the balance of translation reserve had increased by HK\$12,053,000 during the period under review.

The Group's transactions, monetary assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and RMB. The major operations of the Group were transacted and recorded in RMB and did not subject to material exposure on exchange rate fluctuation. At present, the Group has not used any derivative to hedge against the exchange rate risk exposure.

## **Charges on the Group's Assets**

As at 30 September 2008, the Group executed a floating charge over the interest in subsidiaries and certain assets of Rongzhong with an aggregate carrying value of HK\$489,661,000 and HK\$167,537,000 respectively (31 March 2008: HK\$489,661,000 and HK\$70,476,000) in favour of a bank for banking facilities granted. As at 30 September 2008, none of the facilities was utilized (31 March 2008: nil).

As at 30 September 2008, the guarantee facilities granted to the Group were secured by the security deposits in an aggregate of approximately HK\$77,060,000 (31 March 2008: HK\$67,097,000).

## **CONTINGENT LIABILITIES**

As at 30 September 2008, the Group had contingent liabilities of RMB1,870,082,000, equivalent to approximately HK\$2,101,216,000 (31 March 2008: RMB1,276,074,000 equivalent to approximately HK\$1,402,279,000) in relation to the provision of the financial guarantee services in the PRC. As at the balance sheet date, an amount of RMB5,150,000, equivalent to approximately HK\$5,787,000 (31 March 2008: RMB3,679,000, equivalent to approximately HK\$4,043,000) has been recognised in the condensed consolidated balance sheet as liabilities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2008, the Group's total number of staff was approximately 580 in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. Other benefits offered to the employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.



**TO THE BOARD OF DIRECTORS OF GOLDBOND GROUP HOLDINGS LIMITED**

## **INTRODUCTION**

We have reviewed the interim financial information set out on pages 8 to 31, which comprises the condensed consolidated balance sheet of Goldbond Group Holdings Limited as of 30 September 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 the 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 interim financial information consists of making enquiries, 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

11 December 2008



# Condensed Consolidated Income Statement

For the six months ended 30 September 2008

	Notes	1.4.2008 to 30.9.2008 HK\$'000 (Unaudited)	1.4.2007 to 30.9.2007 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Turnover	3	187,447	59,281
Other income		10,791	13,037
Change in fair value of derivative component of convertible note		10,610	–
Gain on disposal of associates	10	–	33,059
Staff costs		(33,034)	(25,590)
Other operating expenses		(34,146)	(19,969)
Share of profits of associates		1,792	4,218
Finance costs		(11,524)	(13,527)
Profit before taxation	4	131,936	50,509
Taxation	5	(22,754)	(1,965)
Profit for the period from continuing operations		109,182	48,544
<b>Discontinued operation</b>	6		
(Loss) profit for the period from discontinued operation		(80)	24,298
Profit for the period		109,102	72,842
Attributable to:			
Equity holders of the Company		90,226	98,481
Minority interests		18,876	(25,639)
		109,102	72,842
Earnings per share	8		
From continuing and discontinued operations			
– Basic		3.45 cents	4.86 cents
– Diluted		3.07 cents	4.00 cents
From continuing operations			
– Basic		3.45 cents	3.66 cents
– Diluted		3.07 cents	3.04 cents

# Condensed Consolidated Balance Sheet

At 30 September 2008

	Notes	30.9.2008 HK\$'000 (Unaudited)	31.3.2008 HK\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	9	9,115	9,491
Consideration receivable from disposal of associates	10	12,721	12,465
Deposit		11,236	–
Interest in an associate	11	57,971	–
Goodwill		103,686	103,686
Intangible assets		2,302	2,459
Loan receivables		150,443	124,954
Finance lease receivables		5,441	–
Club debentures		16,545	16,181
		<b>369,460</b>	269,236
<b>Current assets</b>			
Properties held for sale		9,000	8,802
Account receivables and advances provided to customers	12	938,231	697,345
Prepayments and deposits		10,847	25,501
Finance lease receivables		2,033	–
Security deposits	13	77,060	67,097
Bank balances and cash		334,442	429,592
		<b>1,371,613</b>	1,228,337
Non-current assets classified as held for sale	6	15,000	15,000
		<b>1,386,613</b>	1,243,337
<b>Current liabilities</b>			
Amount due to an associate		23,034	–
Other payables and accrued charges		125,466	132,303
Taxation		16,399	10,460
Bank and other borrowings	14	187,078	109,890
Liabilities arising from financial guarantee contracts	15	5,787	4,043
		<b>357,764</b>	256,696
Liabilities associated with non-current assets classified as held for sale	6	15,000	15,000
		<b>372,764</b>	271,696
<b>Net current assets</b>		<b>1,013,849</b>	971,641
		<b>1,383,309</b>	1,240,877

# Condensed Consolidated Balance Sheet

At 30 September 2008

	Notes	30.9.2008 HK\$'000 (Unaudited)	31.3.2008 HK\$'000 (Audited)
Capital and reserves			
Share capital	16	261,796	259,796
Reserves		889,379	777,102
Equity attributable to equity holders of the Company		1,151,175	1,036,898
Minority interests		98,005	77,045
Total equity		1,249,180	1,113,943
Non-current liabilities			
Customer deposit	17	1,341	–
Convertible note	18	119,791	125,356
Redeemable convertible preference shares	19	1,693	1,578
Deferred taxation		11,304	–
		134,129	126,934
		1,383,309	1,240,877

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Attributable to equity holders of the Company											Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Convertible notes reserve HK\$'000 (Note 18)	General reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note)	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	
At 1 April 2007	167,444	98,634	3,000	4,773	22,297	6,000	-	5,555	106,487	414,190	-	414,190
Exchange differences on translation of foreign operations, representing net income recognised directly in equity	-	-	-	-	-	-	-	29,664	-	29,664	7,799	37,463
Profit for the year	-	-	-	-	-	-	-	-	180,228	180,228	1,188	181,416
Total recognised income for the year	-	-	-	-	-	-	-	29,664	180,228	209,892	8,987	218,879
Sub-total	167,444	98,634	3,000	4,773	22,297	6,000	-	35,219	286,715	624,082	8,987	633,069
Issue of shares upon private placement	26,800	289,440	-	-	-	-	-	-	-	316,240	-	316,240
Issue of shares upon exercise of share options	11,120	5,172	-	-	-	-	-	-	-	16,292	-	16,292
Exercise of share options	-	3,937	-	(3,937)	-	-	-	-	-	-	-	-
Issue of shares upon conversion of convertible notes	54,432	28,568	-	-	-	-	-	-	-	83,000	-	83,000
Conversion and redemption of convertible notes	-	18,305	-	-	(22,297)	-	-	-	3,992	-	-	-
Expenses incurred in connection with issue of shares	-	(8,744)	-	-	-	-	-	-	-	(8,744)	-	(8,744)
Lapse of share options	-	-	-	(527)	-	-	-	-	527	-	-	-
Recognition of equity-settled share-based payments	-	-	-	9,619	-	-	-	-	-	9,619	-	9,619
Transferred to statutory surplus reserve	-	-	-	-	-	-	1,017	-	(1,017)	-	-	-
Realisation of translation reserve upon disposal	-	-	-	-	-	-	-	(3,591)	-	(3,591)	-	(3,591)
Subscription from minority interests	-	-	-	-	-	-	-	-	-	-	99,372	99,372
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(31,314)	(31,314)
At 31 March 2008	259,796	435,312	3,000	9,928	-	6,000	1,017	31,628	290,217	1,036,898	77,045	1,113,943
Exchange differences on translation of foreign operations representing net income recognised directly in equity	-	-	-	-	-	-	-	12,053	-	12,053	2,084	14,137
Profit for the period	-	-	-	-	-	-	-	-	90,226	90,226	18,876	109,102
Total recognised income for the period	-	-	-	-	-	-	-	12,053	90,226	102,279	20,960	123,239
Sub-total	259,796	435,312	3,000	9,928	-	6,000	1,017	43,681	380,443	1,139,177	98,005	1,237,182
Issue of shares upon exercise of share options	2,000	2,200	-	-	-	-	-	-	-	4,200	-	4,200
Exercise of share options	-	1,828	-	(1,828)	-	-	-	-	-	-	-	-
Expenses incurred in connection with issue of shares	-	(14)	-	-	-	-	-	-	-	(14)	-	(14)
Lapse and cancellation of share options	-	-	-	(400)	-	-	-	-	400	-	-	-
Recognition of equity-settled share-based payments	-	-	-	7,812	-	-	-	-	-	7,812	-	7,812
At 30 September 2008	261,796	439,326	3,000	15,512	-	6,000	1,017	43,681	380,843	1,151,175	98,005	1,249,180

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Employee		General reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
				share-based	Convertible						
				compensation reserve HK\$'000	notes reserve HK\$'000						
At 1 April 2007	167,444	98,634	3,000	4,773	22,297	6,000	5,555	106,487	414,190	-	414,190
Exchange differences on translation of foreign operations, representing net income recognised directly in equity	-	-	-	-	-	-	3,155	-	3,155	2,988	6,143
Profit (loss) for the period	-	-	-	-	-	-	-	98,481	98,481	(25,639)	72,842
Total recognised income and expense for the period	-	-	-	-	-	-	3,155	98,481	101,636	(22,651)	78,985
Sub-total	167,444	98,634	3,000	4,773	22,297	6,000	8,710	204,968	515,826	(22,651)	493,175
Issue of shares upon private placement	26,800	289,440	-	-	-	-	-	-	316,240	-	316,240
Issue of shares upon exercise of share options	9,520	4,404	-	-	-	-	-	-	13,924	-	13,924
Exercise of share options	-	3,342	-	(3,342)	-	-	-	-	-	-	-
Issue of shares upon conversion of convertible notes	54,432	28,568	-	-	-	-	-	-	83,000	-	83,000
Conversion and redemption of convertible notes	-	18,305	-	-	(22,297)	-	-	3,992	-	-	-
Expenses incurred in connection with issue of shares	-	(8,733)	-	-	-	-	-	-	(8,733)	-	(8,733)
Lapse of share options	-	-	-	(173)	-	-	-	173	-	-	-
Recognition of equity-settled share-based payments	-	-	-	2,690	-	-	-	-	2,690	-	2,690
Realisation of translation reserve upon disposal	-	-	-	-	-	-	(3,591)	-	(3,591)	-	(3,591)
Subscription from minority interests	-	-	-	-	-	-	-	-	-	99,372	99,372
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(31,314)	(31,314)
At 30 September 2007	258,196	433,960	3,000	3,948	-	6,000	5,119	209,133	919,356	45,407	964,763

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

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	1.4.2008 to 30.9.2008 HK\$'000 (Unaudited)	1.4.2007 to 30.9.2007 HK\$'000 (Unaudited)
Net cash used in operating activities		
Increase in account receivables and advances to customers	(231,462)	(238,658)
Other operating activities	103,503	22,236
	<b>(127,959)</b>	<b>(216,422)</b>
Net cash (used in) from investing activities		
Investment in an associate	(56,179)	–
Deposit	(11,236)	–
Other investing activities	2,651	(9,669)
Proceeds from disposal of investment properties	–	514,818
Proceeds from disposal of interest in jointly controlled entities	–	124,849
Repayment of loan to associates	–	40,291
New loan to associate	–	(40,000)
	<b>(64,764)</b>	<b>630,289</b>
Net cash from financing activities		
New loans raised	74,719	416,369
Advance from an associate	23,034	–
Proceeds from issue of shares	4,200	330,164
Other financing activities	(6,364)	(9,365)
Expenses paid in connection with the issue of shares	(14)	(8,733)
Subscription from minority interests	–	99,372
Repayment of bank loans	–	(438,683)
Repayment of loan to a related company	–	(46,900)
Redemption of convertible notes	–	(17,000)
	<b>95,575</b>	<b>325,224</b>
Net (decrease) increase in cash and cash equivalents	<b>(97,148)</b>	<b>739,091</b>
Cash and cash equivalents at beginning of the period	<b>429,592</b>	<b>46,392</b>
Effect of foreign currency rate changes	<b>1,998</b>	<b>–</b>
Cash and cash equivalents at end of the period, representing bank balances and cash	<b>334,442</b>	<b>785,483</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 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 the 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 investment properties and 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 Goldbond Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred as the "Group") for the year ended 31 March 2008. In addition, the following new accounting policy has been adopted:

### **The Group as lessor under finance lease**

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

In the current interim period, the Group has applied, for the first time, new amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2008.

The adoption of these new amendments and interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

**2. PRINCIPAL ACCOUNTING POLICIES (continued)**

The Group has not early applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), amendments of Hong Kong Accounting Standards (“HKASs”) or interpretations (“INTs”) that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of financial statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>2</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business combinations <sup>3</sup>
HKFRS 8	Operating segments <sup>2</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>4</sup>
HK(IFRIC) – INT 15	Agreements for the construction of real estate <sup>2</sup>
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008.

\* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 3. SEGMENT INFORMATION

The Group comprises the following main business segments:

- (a) Provision of loan guarantee services;
- (b) Provision of financing services;
- (c) Provision of investment consultancy, financial consultancy and management services; and
- (d) Provision of finance lease services.

The property leasing and development segment was discontinued in 2007.

An analysis of the Group's turnover and results by business segments is as follows:

### Six months ended 30 September 2008

	Continuing operations				Discontinued operation		Consolidated HK\$'000
	Loan guarantee services HK\$'000	Financing services HK\$'000	Consultancy and management services HK\$'000	Finance lease services HK\$'000	Total	Property leasing and development HK\$'000	
Revenue from external customers	69,067	73,441	44,605	334	187,447	-	187,447
Segment results	30,931	63,094	41,706	42	135,773	(81)	135,692
Investment income					5,622	1	5,623
Change in fair value of derivative component of convertible note					10,610	-	10,610
Unallocated corporate expenses					(16,701)	-	(16,701)
Finance costs					(5,160)	-	(5,160)
Share of profits of an associate	-	1,792	-	-	1,792	-	1,792
Profit (loss) before taxation					131,936	(80)	131,856
Taxation					(22,754)	-	(22,754)
Profit (loss) for the period					109,182	(80)	109,102

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 3. SEGMENT INFORMATION (continued)

Six months ended 30 September 2007

	Continuing operations				Discontinued operation		Consolidated HK\$'000
	Loan guarantee services HK\$'000	Financing services HK\$'000	Consultancy and management services HK\$'000	Finance lease services HK\$'000	Total	Property leasing and development HK\$'000	
Revenue from external customers	25,202	28,044	6,035	–	59,281	2,792	62,073
Segment results	3,997	14,423	5,394	–	23,814	1,179	24,993
Gain on disposal of property leasing and development business					–	24,453	24,453
Investment income					11,492	223	11,715
Gain on disposal of associates	–	–	33,059	–	33,059	–	33,059
Unallocated corporate expenses					(18,928)	–	(18,928)
Finance costs					(3,146)	(685)	(3,831)
Share of profits of associates	–	–	4,218	–	4,218	–	4,218
Share of losses of jointly controlled entities					–	(772)	(772)
Profit before taxation					50,509	24,398	74,907
Taxation					(1,965)	(100)	(2,065)
Profit for the period					48,544	24,298	72,842

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 4. PROFIT BEFORE TAXATION

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

	Continuing operations		Discontinued operation		Consolidated	
	1.4.2008 to 30.9.2008 HK\$'000 (unaudited)	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)	1.4.2008 to 30.9.2008 HK\$'000 (unaudited)	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)	1.4.2008 to 30.9.2008 HK\$'000 (unaudited)	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)
Interest on:						
Bank loans and other borrowings	6,364	10,466	–	685	6,364	11,151
Convertible notes	5,045	2,962	–	–	5,045	2,962
Redeemable convertible preference shares	115	99	–	–	115	99
	<b>11,524</b>	13,527	–	685	<b>11,524</b>	14,212
Allowance for bad and doubtful debts	6,117	–	–	–	6,117	–
Amortisation of intangible assets	213	–	–	–	213	–
Depreciation	2,060	977	2	2	2,062	979
Gain on disposal of investment properties	–	–	–	(4,818)	–	(4,818)
Gain on disposal of jointly controlled entity	–	–	–	(19,635)	–	(19,635)
Gain on disposal of associates	–	(33,059)	–	–	–	(33,059)
Interest income	(5,622)	(11,492)	(1)	(223)	(5,623)	(11,715)
Operating lease charges in respect of properties	5,676	3,632	–	–	5,676	3,632

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 5. TAXATION

	<u>Continuing operations</u>		<u>Discontinued operation</u>		<u>Consolidated</u>	
	<b>1.4.2008</b> to <b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)	<b>1.4.2008</b> to <b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)	<b>1.4.2008</b> to <b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)
The charge comprises:						
Hong Kong Profits Tax	-	-	-	4,627	-	4,627
PRC Enterprise Income Tax	<b>11,450</b>	1,965	-	-	<b>11,450</b>	1,965
	<b>11,450</b>	1,965	-	4,627	<b>11,450</b>	6,592
Deferred taxation	<b>11,304</b>	-	-	(4,527)	<b>11,304</b>	(4,527)
	<b>22,754</b>	1,965	-	100	<b>22,754</b>	2,065

Hong Kong Profits Tax has been calculated at 16.5% (17.5% for the six months ended 30 September 2007) of the estimated assessable profit for the period. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008 – 2009. The effect of such decrease has been reflected in measuring the current tax for the six months ended 30 September 2008.

Taxation for subsidiaries in the People's Republic of China (the "PRC") is calculated at the appropriate current rates of taxation in the PRC.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the tax rate to 25% for certain subsidiaries from 1 January 2008.

Deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the PRC subsidiaries amounting to HK\$148,039,000 (31 March 2008: HK\$16,808,000) starting from 1 January 2008 under the New Law of Mainland China that requires withholding tax upon the distribution of such profits to the shareholders as 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 reverse in the foreseeable future.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 6. DISCONTINUED OPERATION

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

According to the sale and purchase agreements of the Transactions, upon the completion of the Transactions, Apex Honour Limited procured that Perfect Manor Limited (as licensee) (the "Licensee"), the Company (as guarantor) and the purchaser (as licensor) (the "Licensor") to enter into the licence agreement ("Licence Agreement"), as annexed to the sale and purchase agreements, pursuant to which the Licensor will lease to and the Licensee will lease certain areas of the exterior wall (the "Licensed Area") from the Licensor at a monthly licence fee of HK\$108,333 for the first 12 months, payable in advance in one total sum of HK\$1,300,000 upon signing of this Licence Agreement, commencing from the date of signing of the Licence Agreement (the "First Year Term") and at a monthly licence fee of HK\$119,166 for the next 12 months, payable in advance on the first day of each calendar month, following the First Year Term (the "Second Year Term"). Apex Honour Limited and Perfect Manor Limited are wholly owned subsidiaries of the Company.

Pursuant to the Licence Agreement, the Licensee will perform its duty under the Licence Agreement to install and maintain new signs and signage on the Licensed Area for advertising purpose in such format and structure to the satisfaction of the purchaser and obtain all necessary approvals from relevant regulatory authorities (the "Installation"). Upon expiry of the First Year Term and in the event that the Installation has been completed, the Licence Agreement will terminate accordingly. During the Second Year Term, the Licensee will have the right to terminate the Licence Agreement by giving the Licensor a 60 days' prior written notice at any time after the completion of the Installation.

In addition, (i) upon expiry of the Second Year Term if the Installation has not been completed or (ii) at anytime when the Licensee is in breach of the Licence Agreement and at the time of such breach, the Installation has not been completed, the Licensor shall have the right to require the Licensee to purchase the exterior wall from the Licensor at a total consideration of HK\$15,000,000 (the "Put Option"). In the opinion of the directors, the Installation is expected to be completed within one year from 30 September 2008 and exercise of the Put Option is remote.

Since the above condition has not been fulfilled up to 30 September 2008, the disposal of the exterior walls was not yet completed. The exterior wall was classified as assets classified as held for sale. Prior to 30 September 2008, the Licensee has provided a 60 days' prior written notice to the Licensor to terminate the Licence Agreement upon the completion of the Installation. The termination has been effective from 13 November 2008.

In March 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in a subsidiary, Sino Dynasty Investments Limited (the "Disposal"). Sino Dynasty Investments Limited had a 25% equity interest in both Nanjing City Plaza Construction Co., Ltd. and Ace Intelligent Consultants Limited. The Disposal was completed in June 2007. The details of the Disposal are disclosed in the circular dated 19 April 2007 issued by the Company.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 6. DISCONTINUED OPERATION (continued)

The major classes of assets and liabilities comprising the property leasing and development business as at 30 September 2008 are as follows:

	<b>30.9.2008</b> <b>HK\$'000</b>	31.3.2008 HK\$'000
Assets classified as held for sale		
Investment properties	<b>15,000</b>	15,000
Liabilities associated with assets classified as held for sale		
Other payables and accrued charges	<b>15,000</b>	15,000

The (loss) profit for the period from the discontinued operation is analysed as follows:

	<b>1.4.2008</b> <b>to</b> <b>30.9.2008</b> <b>HK\$'000</b>	1.4.2007 to 30.9.2007 HK\$'000
Loss of property leasing and development business for the period	<b>(80)</b>	(155)
Gain on disposal of property leasing and development business	-	24,453
	<b>(80)</b>	24,298

The results of the property leasing and development business are as follows:

	<b>1.4.2008</b> <b>to</b> <b>30.9.2008</b> <b>HK\$'000</b>	1.4.2007 to 30.9.2007 HK\$'000
Turnover	-	2,792
Direct outgoings	<b>(22)</b>	(155)
Other income	<b>141</b>	395
Other operating expenses	<b>(199)</b>	(1,630)
Share of losses of jointly controlled entities	-	(772)
Finance costs	-	(685)
Loss before taxation	<b>(80)</b>	(55)
Taxation	-	(100)
Loss for the period	<b>(80)</b>	(155)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 6. DISCONTINUED OPERATION (continued)

During the period, the property leasing and development business utilised HK\$80,000 (contributed HK\$1,402,000 for the six months ended 30 September 2007) of the Group's net operating cash flows. The property leasing and development business also utilised HK\$685,000 in respect of financing activities for the six months ended 30 September 2007 (for the six months ended 30 September 2008: Nil).

The net assets at the dates of Transactions and Disposal were as follows:

	HK\$'000
<hr/>	
Net assets disposed of:	
Investment properties	510,000
Interest in jointly controlled entities	96,199
Amount due from a jointly controlled entity	13,086
Liabilities arising from financial guarantee contracts	(480)
	<hr/>
	618,805
Realisation of translation reserve	(3,591)
Expenses incurred	662
Gain on disposal	24,453
	<hr/>
Total consideration satisfied by cash	640,329

## 7. DIVIDENDS

No dividend was paid during the period. The directors do not recommend the payment of an interim dividend.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 8. EARNINGS PER SHARE

### From continuing and discontinued operations

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

	<b>1.4.2008 to 30.9.2008 HK\$'000</b>	1.4.2007 to 30.9.2007 HK\$'000
<b>Earnings:</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company)	<b>90,226</b>	98,481
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible note	<b>(10,610)</b>	–
Interest on convertible notes	<b>5,045</b>	2,962
Earnings for the purpose of diluted earnings per share	<b>84,661</b>	101,443
<b>Number of shares:</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,614,291</b>	2,025,090
Effect of dilutive potential ordinary shares:		
Share options	<b>19,482</b>	80,459
Convertible notes	<b>125,000</b>	432,281
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,758,773</b>	2,537,830



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 8. EARNINGS PER SHARE (continued)

### From continuing operations

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

	1.4.2008 to 30.9.2008 HK\$'000	1.4.2007 to 30.9.2007 HK\$'000
Earnings:		
Profit for the period attributable to equity holders of the Company	90,226	98,481
Add: Loss (profit) for the period from discontinued operation	80	(24,298)
Earnings for the purpose of basic earnings per share from continuing operations	90,306	74,183
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible note	(10,610)	–
Interest on convertible notes	5,045	2,962
Earnings for the purpose of diluted earnings per share from continuing operations	84,741	77,145

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

### From discontinued operation

Basic loss per share from discontinued operation for the six months ended 30 September 2008 is HK0.0031 cents, based on the loss for the period from discontinued operation of HK\$80,000, and denominator detailed above. The diluted loss per share for the six months ended 30 September 2008 is HK0.0029 cents, which is anti-dilutive.

Basic earnings per share and diluted earnings per share from discontinued operation for the six months ended 30 September 2007 were HK1.20 cents and HK0.96 cents respectively, based on the profit from the discontinued operation of HK\$24,298,000 and denominators detailed above for both basic and diluted earnings per share.

## 9. ADDITIONS IN PLANT AND EQUIPMENT

During the period, the Group incurred HK\$1,564,000 (HK\$1,560,000 for the six months ended 30 September 2007) to acquire plant and equipment for its business use.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 10. CONSIDERATION RECEIVABLE FROM DISPOSAL OF ASSOCIATES

On 3 July 2007, Flourish Global Limited ("Flourish Global"), a wholly owned subsidiary of the Company, entered into a conditional equity purchase agreement with independent third parties to dispose of Flourish Global's entire 20% interest in Goldbond Capital Holdings Limited ("GCHL") at a consideration of US\$10,240,000, equivalent to approximately HK\$79,874,000. Consideration receivable of US\$7,730,000, equivalent to approximately HK\$60,295,000 was due on completion date and was received in October 2007. The remaining balance will be fully settled by October 2009 in accordance with the escrow agreement signed between Flourish Global and the sellers. The details of the escrow agreement are disclosed in the circular dated 27 July 2007 issued by the Company. This transaction was approved by the Company's shareholders on 13 August 2007 and a gain on disposal of interest in associates amounting to HK\$33,059,000 was recognised during the six months ended 30 September 2007.

A notice of claim was received in March 2008 from Piper Jaffray Companies, the buyer of GCHL, in relation to the misappropriation of client's funds by the account executives of GCHL before its completion of disposal by the Group. A provision of HK\$7,500,000 has been made as at 31 March 2008 based on the claimed amount and the estimated legal costs involved. Part of the claimed amount has been settled through the escrow account during the period.

## 11. INTEREST IN AN ASSOCIATE

	30.9.2008 HK\$'000	31.3.2008 HK\$'000
Cost of investment in an associate	56,179	–
Share of post acquisition profits	1,792	–
	<b>57,971</b>	–

Particulars of the associate are as follows:

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 12. ACCOUNT RECEIVABLES AND ADVANCES PROVIDED TO CUSTOMERS

	<b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2008 HK\$'000 (audited)
Account receivables	<b>114,513</b>	85,103
Advances provided to customers	<b>843,172</b>	625,238
	<b>957,685</b>	710,341
Less: Allowance for bad and doubtful debts		
– account receivables	<b>(4,704)</b>	(768)
– advances provided to customers	<b>(14,750)</b>	(12,228)
	<b>938,231</b>	697,345

Notes:

- (a) For the financial service business, the Group allows an average loan period of 30 days to a maximum of 180 days to its customers. For property leasing and development business, the Group allowed an average credit period of 30 days to its tenants.
- (b) The advances provided to customers are interest bearing from 3.6% to 30% (31 March 2008: 5.2% to 5.4%) per annum and repayable according to the loan agreements which usually cover a period of one to six months. Included in the balances are loans of approximately HK\$726,906,000 (31 March 2008: HK\$546,402,000) secured by assets placed by customers and advances to employee of approximately HK\$47,583,000 (31 March 2008: HK\$30,391,000) secured by the entire equity interest in a company owned by the employee. This company is incorporated and engaged in mining business in the PRC. The advances are interest bearing at 6% per annum and repayable within one year.

The following is an aging analysis of account receivables and advances provided to customers as of the balance sheet date:

	<b>30.9.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2008 HK\$'000 (audited)
Outstanding balances aged:		
– within one month	<b>110,211</b>	257,516
– more than one month but less than three months	<b>386,570</b>	167,043
– more than three months	<b>441,450</b>	272,786
	<b>938,231</b>	697,345

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 13. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the loan guarantee service business in the PRC.

## 14. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings amounting to HK\$74,719,000. The loans of approximately HK\$39,326,000 are variable-rate borrowings which carry annual interests at the rate offered by the People's Bank of China to 125% of the rate offered by the People's Bank of China. The remaining balances of approximately HK\$35,393,000 bear fixed monthly interest rates ranging from 2% to 2.8%. The loans were used to finance the operations of the Group.

## 15. LIABILITIES ARISING FROM FINANCIAL GUARANTEE CONTRACTS

As at 30 September 2008, the Group provided financial guarantees of RMB1,870,082,000 equivalent to approximately HK\$2,101,216,000 (31 March 2008: RMB1,276,074,000 equivalent to approximately HK\$1,402,279,000) to customers under the financial guarantee business. Liabilities arising from the financial guarantee business represent the management's best estimate of the Group's liability based on prior experience and default history of the business.

## 16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2008 and 30 September 2008	<b>25,000,000</b>	2,500,000
Issued and fully paid:		
At 1 April 2008	<b>2,597,963</b>	259,796
Issue of shares upon exercise of share options	<b>20,000</b>	2,000
At 30 September 2008	<b>2,617,963</b>	261,796

During the period, 20,000,000 share options were exercised at a subscription price of HK\$0.21 per share, resulting in the issue of 20,000,000 ordinary shares of HK\$0.10 each in the Company.

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

## 17. CUSTOMER DEPOSIT

This deposit is placed by a customer under the finance lease services business which is repayable upon the end of the lease period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 18. CONVERTIBLE NOTE

On 2 October 2007, the Company issued a zero coupon convertible note with the principal amount of HK\$135,000,000 to Yong Hua International Limited, a related company, to acquire an additional 20% issued share capital of Rongzhong Group Limited (as detailed in Note 22). The convertible note will mature on 2 October 2010. It may be converted into ordinary shares of the Company by phases commencing from 2 October 2008 at a conversion price of HK\$1.08 per ordinary share, subject to adjustment upon the occurrence of certain events. Upon full conversion, the convertible note shall be converted into 125,000,000 ordinary shares of the Company.

The convertible note contains two components, liability component and conversion option derivative. The effective interest rate of the liability component is 9.19% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in the profit or loss.

The movement of the liability component and conversion option derivative of the convertible note for the period is set out as below:

	Liability component HK\$'000	Conversion option derivative HK\$'000	Total HK\$'000
At 1 April 2008	107,286	18,070	125,356
Interest charge	5,045	–	5,045
Gain arising on change of fair value	–	(10,610)	(10,610)
At 30 September 2008	112,331	7,460	119,791

### Fair value of conversion option derivative and assumptions

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

Date of valuation	30.9.2008 HK\$'000	31.3.2008 HK\$'000
Share price (HK\$)	0.405	0.52
Exercise price (HK\$)	1.08	1.08
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	76.940% to 83.990%	81.400% to 92.485%
Maturity period	3 years	3 years
Conversion period	1-2 years	1-2 years

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 19. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

At 30 September 2008, 68,400,000 (31 March 2008: 68,400,000) preference shares were in issue. The preference shares carry no right to dividend distributions to the holders. The conversion rights attached to the preference shares lapsed with no conversion by 17 September 2004.

Pursuant to the terms and conditions of the preference shares, the preference shares are redeemable by the holders of the preference shares at any time subsequent to 50 years after the date of issue at a redemption value of HK\$10 per preference share.

The preference shares were split into liability and equity components of HK\$811,000 and HK\$6,029,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is carried at amortised cost and the equity component has been included in retained profits since the conversion rights lapsed in prior years.

## 20. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme 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:

	<b>Number of share options</b>
Outstanding at 1 April 2008	153,600,000
Granted during the period	5,600,000
Exercised during the period	(20,000,000)
Cancelled during the period	(3,000,000)
Lapsed during the period	(2,000,000)
Outstanding at 30 September 2008	134,200,000

The closing price of the Company's shares immediately before 23 May 2008, the date of the grant, was HK\$0.69. The exercise price is HK\$0.692. The estimated fair value of the share options granted on that date was HK\$1,724,000.

The following assumptions were used to calculate the fair value of share options:

	<b>Directors</b>	<b>Employees</b>
Grant date	23.5.2008	23.5.2008
Grant date share price per share	HK\$0.690	HK\$0.690
Exercise price per share	HK\$0.692	HK\$0.692
Option life	10 years	10 years
Expected dividends	–	–
Expected volatility	83.99%	83.99%
Risk-free interest rate	2.917%	2.917%
Expected forfeiture rate	–	21.88%

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 20. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

The Trinomial option pricing model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of share option varies with different variables of certain subjective assumptions.

During the period, the Group recognised the total expense of HK\$7,812,000 (HK\$2,690,000 for the six months ended 30 September 2007) in relation to share options granted by the Company.

## 21. SUBSCRIPTION OF SHARES OF A SUBSIDIARY

During the six months ended 30 September 2007, Perfect Honour Limited ("Perfect Honour"), a wholly owned subsidiary of the Company and other shareholders of Rongzhong Group Limited ("Rongzhong") which was a then 51% subsidiary of the Company, entered into a subscription agreement pursuant to which all shareholders conditionally agreed to subscribe for a total of 25,999,900 shares in Rongzhong on a pro rata basis at the total subscription consideration of approximately HK\$202,799,000. The subscription of shares was completed in April 2007 and did not result in any changes in the shareholding structure of Rongzhong.

As a result of the additional investments by the minority shareholders of Rongzhong, losses of HK\$34,093,000 previously allocated against the interests of the Group were reallocated to the minority interests.

## 22. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 15 August 2007, Perfect Honour entered into a sale and purchase agreement with Yong Hua International Limited, the minority shareholder of Rongzhong, to acquire an additional 20% issued share capital of Rongzhong at the consideration of HK\$135,000,000. The consideration was satisfied by the issue of a zero coupon convertible note in the principal amount of HK\$135,000,000 by the Company (see Note 18). The acquisition was completed in October 2007. The fair value of this convertible note was HK\$135,000,000 at the date of completion and a goodwill of HK\$103,686,000 was recognised.

## 23. OPERATING LEASE COMMITMENTS

At 30 September 2008, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

### As lessee

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

	30.9.2008 HK\$'000 (unaudited)	31.3.2008 HK\$'000 (audited)
Within one year	10,386	5,645
After one year but within five years	12,095	6,941
Over five years	–	65
	<b>22,481</b>	<b>12,651</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

## 24. CONTINGENT LIABILITIES

At 30 September 2008, the Group had contingent liabilities of RMB1,870,082,000, equivalent to approximately HK\$2,101,216,000 (31 March 2008: RMB1,276,074,000, equivalent to approximately HK\$1,402,279,000) in relation to the provision of the financial guarantee services in the PRC. As at the balance sheet date, an amount of RMB5,150,000, equivalent to approximately HK\$5,787,000 (31 March 2008: RMB3,679,000, equivalent to approximately HK\$4,043,000) has been recognised in the condensed consolidated balance sheet as liabilities.

## 25. RELATED PARTY TRANSACTIONS

Save as disclosed in the interim financial report, the Group had the following transactions with related parties during the period.

### (a) Key management personnel remuneration

	1.4.2008 to 30.9.2008 HK\$'000 (unaudited)	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)
Short-term employee benefits	4,351	4,224
Post-employment benefits	42	34
Share-based payment	5,972	2,006
	<b>10,365</b>	<b>6,264</b>

### (b) Transactions with related parties

	1.4.2008 to 30.9.2008 HK\$'000 (unaudited)	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)
Management fee income received from an associate	2,046	–
Rental expense paid to a related company	1,245	930
Legal and professional fees paid to a related company	–	16
Rental expense paid to a minority shareholder	–	312
Interest income received from jointly controlled entities	–	208
Interest expense paid to a related company	–	251
Interest income received from an associate	–	283



## Other Information

### 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. The Audit Committee has reviewed the interim results for the six months ended 30 September 2008 (the "Period") and the 2008/09 interim report.

### INDEPENDENT REVIEW

The interim results for the Period are unaudited, but have been reviewed 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, by the Company's auditors, whose independent review report has been included in page 7 of this report.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 30 September 2008, the Directors and chief executive of the Company ("Chief Executive") and their respective associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

#### Interests in Shares/underlying Shares of the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Number of underlying Shares of the Convertible Note	Approximate percentage of issued share capital of the Company
Mr. Wang Jun ("Mr. Wang")	Interest in controlled corporation	101,251,300 (Note 1)	–	–	3.87%
	Beneficial owner	–	25,000,000 (Note 2)	–	0.95%
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Interest in controlled corporation	855,808,725 (Note 1 on page 34)	–	–	32.69%
	Beneficial owner	–	25,000,000 (Note 2)	–	0.95%
Miss Wong, Michelle Yatye ("Miss Michelle Wong")	Beneficial owner	16,000,000	–	–	0.61%
	Interest in controlled corporation	520,106,792 (Note 3 on page 34)	–	–	19.87%
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	46,000,000	–	–	1.76%
	Beneficial owner	–	25,000,000 (Note 2)	–	0.95%
Mr. Kee Wah Sze	Beneficial owner	12,000,000	–	–	0.46%
Mr. Lan Ning	Interest in controlled corporation	29,677,000	–	–	1.13%
	Beneficial owner	2,500,000	–	–	0.10%
Mr. Xie Xiao Qing ("Mr. Xie")	Interest in controlled corporation	–	–	125,000,000 (Note 4)	4.56% (Note 5)
	Beneficial owner	400,000	–	–	0.02%
	Beneficial owner	–	16,000,000 (Note 3)	–	0.61%
Mr. Ma Ho Fai SBS JP	Beneficial owner	1,200,000	–	–	0.05%
Mr. Melvin Jitsumi Shiraki ("Mr. Shiraki")	Beneficial owner	3,940,000	–	–	0.15%
	Beneficial owner	–	1,600,000 (Note 6)	–	0.06%
Mr. Cheng Yuk Wo ("Mr. Cheng")	Beneficial owner	–	1,600,000 (Note 7)	–	0.06%

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS (Continued)****Interests in ordinary shares of the associated corporation**

<b>Name of Director</b>	<b>Capacity</b>	<b>Name of associated corporation</b>	<b>Number of shares</b>	<b>Approximate percentage</b>
Mr. Xie	Interest in controlled corporation	Rongzhong	4,942,600	19.01%

*Notes:*

1. These Shares were held by Canasia Profits Corporation (which was wholly-owned by Mr. Wang).
2. On 17 August 2007, each of Mr. Wang, Mr. Wong and Mr. Ding was granted 25,000,000 options under the share option scheme of the Company (the "Share Option Scheme") to subscribe for 25,000,000 Shares, exercisable at a price of HK\$1.014 per Share during the period from 17 August 2010 to 16 August 2017.
3. On 29 March 2007, each of Mr. Xie and Miss Michelle Wong was granted 16,000,000 options under the Share Option Scheme to subscribe for 16,000,000 Shares, exercisable at a price of HK\$0.256 per Share during the period from 29 March 2010 to 28 March 2017.
4. The Convertible Note was issued to a company wholly-owned by Mr. Xie.
5. Assuming the Convertible Note but no other options or convertible notes (if any) is fully exercised.
6. On 29 July 2005, Mr. Shiraki was granted 1,600,000 options under the Share Option Scheme to subscribe for 1,600,000 Shares, exercisable at a price of HK\$0.132 per Share during the period from 1 January 2007 to 28 July 2015.
7. On 23 May 2008, Mr. Cheng was granted 1,600,000 options under the Share Option Scheme to subscribe for 1,600,000 Shares, exercisable at a price of HK\$0.692 per Share during the period from 23 May 2011 to 22 May 2018.

All the interests stated above represent long positions.

Save for those disclosed above, at 30 September 2008, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive or any its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and the Chief Executive (including their spouses and children under the age of 18) had, at 30 September 2008, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

## Other Information

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 30 September 2008, the interests in Shares and/or underlying Shares of the Company of every person (other than the Directors and Chief Executive) as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of underlying Shares of the Company share options of the Company	Approximate percentage of issued share capital of the Company
Allied Luck Trading Limited ("Allied Luck")	Beneficial owner	855,808,725 (Note 1)	–	32.69%
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Interest in controlled corporation	855,808,725 (Note 1)	–	32.69%
	Interest of spouse	16,000,000	–	0.61%
	Interest of spouse	–	25,000,000 (Note 2)	0.95%
Ace Solomon Investments Limited ("Ace Solomon")	Beneficial owner	520,106,792 (Note 3)	–	19.87%
Aceyork Investment Limited ("Aceyork")	Interest in controlled corporation	520,106,792 (Note 3)	–	19.87%
Allied Golden Investment Limited ("Allied Golden")	Interest in controlled corporation	520,106,792 (Note 3)	–	19.87%
Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong")	Interest in controlled corporation	520,106,792 (Note 3)	–	19.87%
Martin Currie (Holdings) Limited	Interest in controlled corporation	136,470,000	–	5.21%

**Notes:**

- These Shares were held by Allied Luck which in turn owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong, the spouse of Mr. Wong. As such, each of Mr. Wong and Mrs. Wong was respectively taken to have an interest in such Shares by virtue of their respective shareholding interests in Allied Luck.
- As disclosed in Note 2 on page 33 of this report, Mr. Wong was granted 25,000,000 options under the Share Option Scheme to subscribe for 25,000,000 Shares. As such, Mrs. Wong was taken to have such interest in the underlying Shares under the provisions of the SFO.
- These Shares were held by Ace Solomon, which was owned as to 50% by Aceyork (a company wholly-owned by Miss Michelle Wong and as to 50% by Allied Golden (a company wholly-owned by Miss Jacqueline Wong). As such, each of Aceyork, Allied Golden, Miss Michelle Wong and Miss Jacqueline Wong were deemed to be interested in all these Shares.

All the interests stated above represent long positions.

Save for those disclosed above, at 30 September 2008, the Company had not been notified of any persons who had interests or short position in Shares and underlying Shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of the SFO.

## SHARE OPTION SCHEME

The Share Option Scheme was adopted on 18 September 2002 with amendments made on 29 August 2003 to give clarity to it. The key terms of the Share Option Scheme had been summarised in our 2007/08 Annual Report despatched in July this year.

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

Grantee	Date of grant	Exercise price (HK\$)	Exercisable period (Note 1)	Outstanding at 31/3/08	Granted during the Period	Exercised during the Period (Note 2)	Lapsed/Cancelled during the Period	Outstanding at 30/9/08
<b>Directors</b>								
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
Mr. Ding	7/7/2006	0.210	1/1/2010 – 6/7/2016	8,000,000	–	(8,000,000) (Note 4)	–	–
	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	–	–	–	25,000,000
Mr. Shiraki	29/7/2005	0.132	1/1/2007 – 28/7/2015	1,600,000	–	–	–	1,600,000
Miss Michelle Wong	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	–	–	–	16,000,000
Mr. Xie	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	–	–	–	16,000,000
Mr. Cheng	23/5/2008	0.692 (Note 3)	23/5/2011 – 22/5/2018	–	1,600,000	–	–	1,600,000
<b>Eligible employees</b>								
(in aggregate)	7/7/2006	0.210	1/1/2010 – 6/7/2016	15,000,000	–	(12,000,000) (Note 4)	(3,000,000) (Note 5)	–
	17/8/2007	1.014	17/8/2010 – 16/8/2017	22,000,000	–	–	(2,000,000) (Note 6)	20,000,000
	23/5/2008	0.692 (Note 3)	23/5/2011 – 22/5/2018	–	4,000,000	–	–	4,000,000
				153,600,000	5,600,000	(20,000,000)	(5,000,000)	134,200,000

### Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercisable period;
- The weighted average closing price of the Shares immediately before the dates on which the options were exercised in the Period was HK\$0.694 (31 March 2008: HK\$0.606);
- The closing price immediately before the date of grant was HK\$0.69;
- Exercised during the period from the conditional mandatory general offer announced on 1 April 2008 jointly by the Company and Allied Luck (the "General Offer") became unconditional to the close of the General Offer pursuant to the Share Option Scheme;
- Cancelled by accepting the General Offer; and
- Lapsed.

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

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

### **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code during the Period.

### **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 Listing Rules.