Interim Report 2009/10

Stock Code: 00172

金榜集團控股有限公司

GOLDBOND GROUP HOLDINGS LIMITED

Corporate Information

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. Kee Wah Sze
Mr. Xie Xiao Qing
Miss Wong, Michelle Yatyee

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

SECRETARY

Ms. Li Yu Lian, Kelly

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKERS

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

WEBSITES

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

STOCK CODE

00172

Management Discussion and Analysis

While the global economy remained a concern during the first half year of 2009/10, the PRC government has implemented a number of economic stimulus policies to stimulate the economic growth in the PRC. These policies have bolstered the domestic demands which increased the need of consumers and SME financing services and thus offered Goldbond Group Holdings Limited (the "Company") and its subsidiaries (the "Group") an opportunity of growing this business segment. However, in this uncertain period, the Group has set its priority to further strengthen the management of risk instead of aggressive business expansion. The Group aimed at building a strong foundation for a strategic growth when the global economy becomes more stable in the near future. Accordingly, the results of the Group for the six months ended 30 September 2009 had slightly declined due to the additional preventive measures imposed.

RESULTS AND DIVIDEND

Turnover of the Group for the six months ended 30 September 2009 was approximately HK$165,165,000, representing a decrease of 12% as compared to approximately HK$187,447,000 in the corresponding period of the preceding year. Profit after tax attributable to the owners of the Company was approximately HK$60,416,000, representing a decrease of 33% as compared to approximately HK$90,226,000 in the corresponding period of the preceding year. The decrease was mainly due to the drop in income from Rongzhong Group and the change in fair value of derivative component of convertible note.

Included in the profit after tax attributable to the owners for the six months ended 30 September 2009, there were some non-cash items which included, but not limited to, equity-settled share based payment expenses of HK$6,894,000 (for the six months ended 30 September 2008: HK$7,812,000), notional interest on zero coupon convertible note of HK$3,319,000 (for the six months ended 30 September 2008: HK$5,045,000) and notional interest on redeemable convertible preference shares of HK$131,000 (for the six months ended 30 September 2008: HK$115,000).

The Board did not recommend the payment of interim dividend in respect of the results for the six months ended 30 September 2009 (for the six months ended 30 September 2008: nil).

BUSINESS REVIEW

Rongzhong

The Group owns 71% equity interest in Rongzhong Group Limited (“Rongzhong”) as at 30 September 2009. Rongzhong and its subsidiaries (collectively “Rongzhong Group”) mainly engage in the provision of bridge financing, loan guarantee, finance lease and investment management services. For the six months ended 30 September 2009, Rongzhong Group had contributed a turnover of approximately HK$137,168,000 (for the six months ended 30 September 2008: HK$163,361,000), representing a decrease of 16%, which was mainly caused by the drop in loan guarantee service income as a result of the strengthened risk management policies.

In May and August 2007, the Group and Rongzhong entered into two loan agreements, pursuant to which the Group conditionally agreed to make available revolving loan facilities of HK$60 million and HK$500 million respectively to Rongzhong as general working capital at an interest rate of 16% per annum. As at 30 September 2009, the total outstanding loan amounted to HK$494,392,000 (31 March 2009: HK$524,161,000).

Management Discussion and Analysis

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

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

1. *Bridge Financing*

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

Rongzhong Group provides different types of bridge financing service including but not limited to the provision of bridging loans for management buyout, and short term working capital financing for SME and property developers. As at 30 September 2009, Rongzhong Group had a gross loan portfolio of approximately HK$661,073,000 (31 March 2009: HK$615,793,000), representing an increase of 7%. This loan portfolio continues to achieve an attractive yield and contributing a turnover of approximately HK$110,424,000 (for the six months ended 30 September 2008: HK$93,960,000) to Rongzhong Group during the period, representing an increase of 18%.

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

2. *Loan Guarantee*

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

For the six months ended 30 September 2009, Rongzhong Group had issued new loan guarantees at an aggregate amount of approximately RMB2.5 billion (for the six months ended 30 September 2008: RMB2.1 billion), representing an increase of 19%. However, income from loan guarantee service for the period was approximately HK$23,945,000 (for the six months ended 30 September 2008: HK$69,067,000), representing a drop of 65%. The decrease was mainly caused by the newly imposed preventive measure to slow down the business in loan guarantee against SME, a relatively higher risk sector but yielding attractive profit margin, during this uncertain period. This preventive measure will be reviewed periodically to determine its appropriateness in subsequent periods.

Guarantee income is recognized over the life of the guarantee contracts and, as at 30 September 2009, the deferred income amounted to approximately HK$44,400,000 (31 March 2009: HK$36,847,000) which would be recognized in the forthcoming three financial years.

Management Discussion and Analysis

3. *Finance Lease*

Rongzhong Group obtained a wholly-foreign owned leasing license from the Ministry of Commerce, the PRC, in April 2008 and launched its finance lease service through its wholly owned subsidiary, Rongzhong International Financial Leasing Co., Ltd. ("Rongzhong Finance Lease"), since August 2008. Rongzhong Finance Lease was established in Wuhan with an aim to serve customers across the PRC. Currently, its customers spanned over various provinces and cities of the PRC, including but not limited to Hubei, Hebei, Hunan, Tianjin, Hangzhou and Guangdong.

The finance lease business has recorded a significant growth since launched. As at 30 September 2009, the carrying value of finance lease receivable amounted to approximately HK$82,625,000 (31 March 2009: HK$18,478,000), representing an increase of 347%. For the six months ended 30 September 2009, the contributed turnover was approximately HK$2,799,000 (for the six months ended 30 September 2008: HK$334,000), representing an increase of 738%. Given the strong market demand of finance lease service in the PRC, the superb business network and the industry relationship of Rongzhong Group, Rongzhong Finance Lease will continue expanding its services to all quality customers in the PRC and is expected to be a stable income provider to the Group.

4. *Investment Management*

Rongzhong Group commenced offering investment management service in May 2008. As at 30 September 2009, there are two investment management companies established in Wuhan and Taizhou and one private equity fund (the "Fund") launched with mandates to seek and invest in quality venture companies in the respective region through debt and/or equity investment.

For the six months ended 30 September 2009, Rongzhong Group recognized fund management fee income of approximately HK$2,069,000 but bore a loss of approximately HK$14,000 from its investment in the Fund (for the six months ended 30 September 2008: HK$2,046,000 and profit of HK$1,792,000, respectively). Given the assertive approach to investment, the management of Rongzhong Group is confident that the current venture investments will eventually bear fruit for the Fund in the foreseeable future.

Management Discussion and Analysis

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. These loans were fully drawn in January 2008 and the first two instalments of RMB12 million and RMB18 million were subsequently paid as scheduled in January 2009 and July 2009, respectively.

On 11 August 2009, Famous Apex entered into an agreement (the "Agreement") with Poly Sanhao, Worldpro, and other relevant parties in relation to, among others, the settlement of the above loans. Pursuant to this Agreement, Poly Sanhao and Worldpro are obliged to settle these loans by way of three instalments in an aggregate amount of RMB128 million together with interest accrued thereon at a rate of 7.2% per annum commencing from 1 July 2009. As a prerequisite, Worldpro had made a repayment of RMB14 million to Famous Apex prior to entering into this Agreement. Although the terms of this Agreement would reduce the overall investment return from 33.3% per annum to 28.5% per annum, the management of the Group believes that such move can reduce the credit risk of these loans, improve the Group's liquidity position and enable the Group to apply the funding received from the early payments for other lending activities in order to generate additional return for the Group.

For the six months ended 30 September 2009, these loans contributed a turnover of approximately HK$27,997,000 (for the six months ended 30 September 2008: HK$24,086,000) to the Group, representing an increase of 16%.

Future plans

After implementing the economic stimulus packages by various countries, there are signs of global economic stabilization since the third quarter of 2009. The economy of the PRC even continues its growth dynamic and is expected to reach the growth target in 2009. With a strong foundation of risk management, extensive business network and comprehensive industrial knowledge, the Directors are of the view that the Group is likely to resume its growth potential in the near future. Priority will be given to growing bridge financing and finance lease services for which the market demands are also growing fast in the PRC. In term of business expansion, the Group will continue exploring new investment opportunities with an aim not only to provide full spectrum of financial services to customers, but also to create sustainable value to the shareholders of the Company.

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Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 30 September 2009, the Group had outstanding bank borrowings of RMB170,000,000 (31 March 2009: RMB109,000,000) granted by several banks in the PRC and secured by the charges over the Group's and the minority shareholders' indirect interests in Rongzhong Investment Group Limited# (融眾投資集團有限公司) ("Rongzhong Investment") and Wuhan Rongzhong Pawn Shop Co., Ltd.# (武漢融眾典當有限公司), which are 71% owned subsidiaries of the Company. The Company, Rongzhong Investment and a director of the Company had given guarantees to a bank in securing the bank borrowing of not more than RMB100,000,000 (equivalent to approximately HK$112,360,000) in aggregate. The guarantee provided by the Company was in proportion to its 71% equity interest in the borrower. The banking facilities of RMB150,000,000 bore interest with reference to the rate offered by the People's Bank of China and the remaining facility bore fixed interest at 9% per annum. At present, the Group has not used any derivative to hedge against the interest rate risk exposure.

On 2 October 2007, the Company issued a convertible note with principal amount of HK$135,000,000 maturing on 2 October 2010 to a related company for acquisition of 20% issued share capital of Rongzhong. This note is interest free and convertible into ordinary shares at a conversion price of HK$1.08 per ordinary share, subject to adjustment upon occurrence of certain events. The value of this note was split into liability and derivative components and goodwill of HK$103,686,000 was recognized on the date of issuance. In December 2008, part of this note with a nominal value of HK$54,000,000 was converted into 50,000,000 ordinary shares at HK$1.08 each. On 9 October 2009, the balance of this note with a nominal value of HK$81,000,000 was converted into 75,000,000 ordinary shares at HK$1.08 each. As at 30 September 2009, the fair values of the liability and the derivative components were at HK$73,887,000 and HK$1,091,000 (31 March 2009: HK$70,568,000 and HK$1,964,000), respectively. A gain on change in fair value of derivative component of HK$873,000 (for the six months ended 30 September 2008: HK$10,610,000) was recorded during the period under review.

The Group has always maintained strong liquidity position. As at 30 September 2009, the aggregate amount of cash, bank balances and short term bank deposits was approximately HK$481,239,000 (31 March 2009: HK$579,852,000) and the net debt to equity ratio was analyzed as follows:

	30 September 2009 **HK$'000**	31 March 2009 HK$'000
Debt *(Note a)*	**191,011**	122,472
Cash and cash equivalents	**(396,667)**	(495,083)
Net debt	**(205,656)**	(372,611)
Equity *(Note b)*	**1,333,403**	1,367,502
Net debt to equity ratio *(Note c)*	**N/A**	N/A

Notes:

(a) Debt comprises bank borrowings.

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

(c) Not applicable as no net debt as at 30 September 2009 and 31 March 2009.

For identification purpose only

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

Effect on Exchange Rate Fluctuation

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

Charges on the Group's Assets

As at 30 September 2009, the Group's banking facilities were granted by several banks in the PRC and secured by the following:

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

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

(c) the properties held for sale of the Group with an aggregate carrying value of RMB8,010,000 (31 March 2009: RMB8,010,000) equivalent to approximately HK$9,000,000 (31 March 2009: HK$9,000,000). As at 30 September 2009, this facility was not utilized.

As at 30 September 2009, the guarantee facilities granted to the Group were secured by the security deposits in an aggregate of approximately HK$135,398,000 (31 March 2009: HK$105,302,000).

CONTINGENT LIABILITIES

As at 30 September 2009, the Group had contingent liabilities of RMB3,437,090,000, equivalent to approximately HK$3,861,899,000 (31 March 2009: RMB2,510,018,000, equivalent to approximately HK$2,820,245,000) in relation to the provision of loan guarantee service in the PRC. At the balance sheet date, an amount of RMB8,702,000, equivalent to approximately HK$9,778,000 (31 March 2009: RMB6,150,000, equivalent to approximately HK$6,910,000) has been recognized in the condensed consolidated statement of financial position as liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2009, the Group's total number of staff was approximately 600 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.

Report on Review of Interim Financial Information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF GOLDBOND GROUP HOLDINGS LIMITED

Introduction

We have reviewed the interim financial information set out on pages 9 to 29, which comprises the condensed consolidated statement of financial position of Goldbond Group Holdings Limited (the “Company”) and its subsidiaries as of 30 September 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) 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
9 December 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

	Notes	**1.4.2009 to 30.9.2009 HK$'000 (Unaudited)**	1.4.2008 to 30.9.2008 HK$'000 (Unaudited)
Continuing operations			
Turnover	3	**165,165**	187,447
Other income		**3,577**	10,791
Change in fair value of derivative component of convertible note		**873**	10,610
Staff costs		**(33,274)**	(33,034)
Other operating expenses		**(40,378)**	(34,146)
Share of (loss) profit of an associate		**(14)**	1,792
Finance costs		**(10,211)**	(11,524)
Profit before taxation	4	**85,738**	131,936
Taxation	5	**(19,948)**	(22,754)
Profit for the period from continuing operations		**65,790**	109,182
Discontinued operation	6		
Loss for the period from discontinued operation		**–**	(80)
Profit for the period		**65,790**	109,102
Other comprehensive income			
Exchange differences arising on translation		**–**	14,137
Total comprehensive income for the period		**65,790**	123,239
Profit for the period attributable to:			
Owners of the Company		**60,416**	90,226
Minority interests		**5,374**	18,876
		65,790	109,102
Total comprehensive income attributable to:			
Owners of the Company		**60,416**	102,279
Minority interests		**5,374**	20,960
		65,790	123,239
Earnings per share	8		
From continuing and discontinued operations			
– Basic		**2.26 cents**	3.45 cents
– Diluted		**2.25 cents**	3.07 cents
From continuing operations			
– Basic		**2.26 cents**	3.45 cents
– Diluted		**2.25 cents**	3.07 cents

Condensed Consolidated Statement of Financial Position

At 30 September 2009

	Notes	30.9.2009 HK$'000 (Unaudited)	31.3.2009 HK$'000 (Audited)
Non-current assets			
Plant and equipment	9	**8,285**	9,904
Deposit		**–**	11,415
Interest in an associate		**57,527**	63,149
Goodwill		**103,686**	103,686
Intangible assets		**1,877**	2,090
Loan receivables	10	**60,382**	167,989
Finance lease receivables		**54,601**	10,243
Club debentures		**16,545**	16,545
		302,903	385,021
Current assets			
Properties held for sale		**9,000**	9,000
Consideration receivable from disposal of associates	11	**16,948**	20,437
Loan receivables	10	**101,222**	–
Account receivables and advances provided to customers	12	**804,646**	692,098
Finance lease receivables		**28,024**	8,235
Dividend receivable from an associate		**5,608**	–
Prepayments and deposits		**8,939**	9,533
Security deposits	13	**135,398**	105,302
Short term bank deposits			
– with original maturity within three months		**164,954**	157,921
– with original maturity more than three months		**84,572**	84,769
Bank balances and cash		**231,713**	337,162
		1,591,024	1,424,457
Current liabilities			
Amount due to an associate		**15,120**	17,188
Other payables and accrued charges		**172,855**	144,295
Deferred income		**25,775**	22,737
Taxation		**25,089**	18,995
Bank borrowings – amount due within one year	14	**33,708**	122,472
Liabilities arising from financial guarantee contracts	15	**9,778**	6,910
		282,325	332,597
Net current assets		**1,308,699**	1,091,860
		1,611,602	1,476,881

Condensed Consolidated Statement of Financial Position

At 30 September 2009

	Notes	**30.9.2009 HK$'000 (Unaudited)**	31.3.2009 HK$'000 (Audited)
Capital and reserves			
Share capital		**266,956**	266,956
Reserves		**957,075**	996,548
Equity attributable to owners of the Company		**1,224,031**	1,263,504
Minority interests		**109,372**	103,998
Total equity		**1,333,403**	1,367,502
Non-current liabilities			
Customer deposits		**9,108**	5,245
Deferred income		**18,625**	14,110
Bank borrowings – amount due after one year	14	**157,303**	–
Convertible note	16	**74,978**	72,532
Redeemable convertible preference shares	17	**1,946**	1,815
Deferred taxation		**16,239**	15,677
		278,199	109,379
		1,611,602	1,476,881

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

	Attributable to owners of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Revaluation reserve** HK$'000	**Employee share-based compensation reserve** HK$'000	**General reserve** HK$'000	**Statutory surplus reserve** HK$'000 (Note)	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Sub-total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 April 2008	259,796	435,312	3,000	9,928	6,000	1,017	31,628	290,217	1,036,898	77,045	1,113,943
Exchange differences arising on translation	–	–	–	–	–	–	12,094	–	12,094	2,101	14,195
Profit for the year	–	–	–	–	–	–	–	149,404	149,404	16,987	166,391
Total comprehensive income for the year	–	–	–	–	–	–	12,094	149,404	161,498	19,088	180,586
Sub-total	259,796	435,312	3,000	9,928	6,000	1,017	43,722	439,621	1,198,396	96,133	1,294,529
Issue of shares upon exercise of share options	2,160	2,251	–	–	–	–	–	–	4,411	–	4,411
Exercise of share options	–	1,889	–	(1,889)	–	–	–	–	–	–	–
Issue of shares upon conversion of convertible note	5,000	41,112	–	–	–	–	–	–	46,112	–	46,112
Expenses incurred in connection with issue of shares	–	(44)	–	–	–	–	–	–	(44)	–	(44)
Lapse and cancellation of share options	–	–	–	(431)	–	–	–	431	–	–	–
Recognition of equity-settled share-based payments	–	–	–	14,629	–	–	–	–	14,629	–	14,629
Transferred to statutory surplus reserve	–	–	–	–	–	5,605	–	(5,605)	–	–	–
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	7,865	7,865
At 31 March 2009	266,956	480,520	3,000	22,237	6,000	6,622	43,722	434,447	1,263,504	103,998	1,367,502
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	60,416	60,416	5,374	65,790
Sub-total	266,956	480,520	3,000	22,237	6,000	6,622	43,722	494,863	1,323,920	109,372	1,433,292
Dividends recognised as distribution	–	–	–	–	–	–	–	(106,783)	(106,783)	–	(106,783)
Recognition of equity-settled share-based payments	–	–	–	6,894	–	–	–	–	6,894	–	6,894
At 30 September 2009	266,956	480,520	3,000	29,131	6,000	6,622	43,722	388,080	1,224,031	109,372	1,333,403
At 1 April 2008	259,796	435,312	3,000	9,928	6,000	1,017	31,628	290,217	1,036,898	77,045	1,113,943
Exchange differences arising on translation	–	–	–	–	–	–	12,053	–	12,053	2,084	14,137
Profit for the period	–	–	–	–	–	–	–	90,226	90,226	18,876	109,102
Total comprehensive 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

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 Statement of Cash Flows

For the six months ended 30 September 2009

	1.4.2009 to 30.9.2009 HK$'000 (Unaudited)	1.4.2008 to 30.9.2008 HK$'000 (Unaudited)
Net cash used in operating activities		
Increase in account receivables and advances to customers	**(116,816)**	(231,462)
Other operating activities	**48,956**	103,503
	(67,860)	(127,959)
Net cash from (used in) investing activities		
Decrease (increase) in deposit	**11,415**	(11,236)
Other investing activities	**5,102**	2,651
Capital contribution in an associate	**–**	(56,179)
	16,517	(64,764)
Net cash (used in) from financing activities		
Repayment of bank loans	**(122,472)**	–
Dividends paid	**(106,783)**	–
(Repayment to) advance from an associate	**(2,068)**	23,034
Other financing activities	**(6,761)**	(6,364)
New loans raised	**191,011**	74,719
Proceeds from issue of shares	**–**	4,200
Expenses paid in connection with the issue of shares	**–**	(14)
	(47,073)	95,575
Net decrease in cash and cash equivalents	**(98,416)**	(97,148)
Cash and cash equivalents at beginning of the period	**495,083**	429,592
Effect of foreign currency rate changes	**–**	1,998
Cash and cash equivalents at end of the period, representing bank balances and cash	**396,667**	334,442
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**231,713**	77,602
Short term bank deposits with original maturity within three months	**164,954**	256,840
	396,667	334,442

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2009

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 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 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS"s), Hong Kong Accounting Standards ("HKAS"s), amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA.

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

HKAS 1 (Revised 2007) "Presentation of financial statements" has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 "Operating segments" ("HKFRS 8") is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment reporting" ("HKAS 14") required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The Group adopted HKFRS 8 in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2009 in advance of its effective date. The application of HKFRS 8 had resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The Group did not adopt HKFRS 8 in the preparation of the condensed consolidated financial statements of the Group for the six months ended 30 September 2008 in advance of its effective date. Accordingly, the comparative figures for the six months ended 30 September 2008 have been restated on the new basis in the condensed consolidated financial statements of the Group for the six months ended 30 September 2009.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) "Business combinations" may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) "Consolidated and separate financial statements" will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group adopted HKFRS 8 in advance of its effective date, with effect from 1 April 2008, in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2009. However, the Group did not adopt HKFRS 8 in advance of its effective date in the preparation of the condensed consolidated financial statements for the six months ended 30 September 2008.

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard, HKAS 14, required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed on the basis of the types of services provided by the Group's operating divisions (i.e., financing service, loan guarantee service, consultancy and management services, and property leasing and development division). However, information reported to the Group's chief executive officer for the purposes of resource allocation and assessment of performance focuses more specifically on the category of customers for financing service, loan guarantee service and finance lease service, and property leasing and development division which was discontinued in 2007. The chief executive officer considers that the consultancy and management service is only ancillary service of financing service and loan guarantee service. The Group's reportable segments under HKFRS 8 are therefore as follows:

(a) Provision of financing service including bridge financing and provision of long term loans in the People's Republic of China other than Hong Kong (the "PRC");

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

(c) Provision of finance lease service.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

3. SEGMENT INFORMATION (continued)

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

Six months ended 30 September 2009

	Continuing operations				Discontinued operation	
	Financing service HK$'000	Loan guarantee service HK$'000	Finance lease service HK$'000 (Note)	Total HK$'000	Property leasing and development HK$'000	Consolidated HK$'000
Revenue from external customers	138,421	23,945	2,799	165,165	–	165,165
Segment results	103,147	6,614	1,068	110,829	–	110,829
Investment income				2,066	–	2,066
Change in fair value of derivative component of convertible note				873	–	873
Unallocated corporate expenses				(18,749)	–	(18,749)
Finance costs				(9,267)	–	(9,267)
Share of loss of an associate				(14)	–	(14)
Profit before taxation				85,738	–	85,738
Taxation				(19,948)	–	(19,948)
Profit for the period				65,790	–	65,790

3. SEGMENT INFORMATION (continued)

Six months ended 30 September 2008 (restated)

	Continuing operations				Discontinued operation	
	Financing service HK$'000	Loan guarantee service HK$'000	Finance lease service HK$'000 (Note)	Total HK$'000	Property leasing and development HK$'000	Consolidated HK$'000
Revenue from external customers	118,046	69,067	334	187,447	–	187,447
Segment results	108,876	33,219	42	142,137	(81)	142,056
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				(11,524)	–	(11,524)
Share of profit of an associate				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

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) profit 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$944,000 (Nil for the six months ended 30 September 2008) attributable to the finance lease service business.

3. SEGMENT INFORMATION (continued)

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

Period ended 30 September 2009

	Financing service HK$'000	Loan guarantee service HK$'000	Finance lease service HK$'000	Consolidated HK$'000
Assets				
Segment assets	**1,023,430**	**198,347**	**83,067**	**1,304,844**
Interest in an associate				**57,527**
Unallocated assets				**531,556**
Total assets				**1,893,927**

Year ended 31 March 2009

	Financing service HK$'000	Loan guarantee service HK$'000	Finance lease service HK$'000	Consolidated HK$'000
Assets				
Segment assets	937,964	160,709	18,770	1,117,443
Interest in an associate				63,149
Unallocated assets				628,886
Total assets				1,809,478

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

4. PROFIT BEFORE TAXATION

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

	Continuing operations		Discontinued operation		Consolidated	
	1.4.2009 to 30.9.2009 HK$'000 (unaudited)	1.4.2008 to 30.9.2008 HK$'000 (unaudited)	**1.4.2009 to 30.9.2009 HK$'000 (unaudited)**	1.4.2008 to 30.9.2008 HK$'000 (unaudited)	**1.4.2009 to 30.9.2009 HK$'000 (unaudited)**	1.4.2008 to 30.9.2008 HK$'000 (unaudited)
Interest on:						
Bank and other borrowings	**6,761**	6,364	**–**	–	**6,761**	6,364
Convertible note	**3,319**	5,045	**–**	–	**3,319**	5,045
Redeemable convertible preference shares	**131**	115	**–**	–	**131**	115
	10,211	11,524	**–**	–	**10,211**	11,524
Allowance for bad and doubtful debts	**6,102**	6,117	**–**	–	**6,102**	6,117
Amortisation of intangible assets	**213**	213	**–**	–	**213**	213
Depreciation of plant and equipment	**2,276**	2,060	**–**	2	**2,276**	2,062
Interest income	**(2,066)**	(5,622)	**–**	(1)	**(2,066)**	(5,623)
Operating lease charges in respect of properties	**5,746**	5,676	**–**	–	**5,746**	5,676

5. TAXATION

	1.4.2009 to 30.9.2009 HK$'000 (unaudited)	1.4.2008 to 30.9.2008 HK$'000 (unaudited)
The charge comprises:		
PRC Enterprise Income Tax	**19,386**	11,450
Deferred taxation	**562**	11,304
	19,948	22,754

The taxation charges of both periods have been derived from the continuing operations of the Group.

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

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$293,784,000 (31 March 2009: HK$219,063,000) starting from 1 January 2008 under the Law of the PRC Enterprise Income Tax 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 be reversed in the foreseeable future.

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. Apex Honour Limited and Perfect Manor Limited are wholly owned subsidiaries of the Company.

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

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

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

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

	1.4.2009 to 30.9.2009 HK$'000 (unaudited)	1.4.2008 to 30.9.2008 HK$'000 (unaudited)
Direct outgoings	**–**	(22)
Other income	**–**	141
Other operating expenses	**–**	(199)
Loss for the period	**–**	(80)

During the six months ended 30 September 2008, the property leasing and development business utilised HK$80,000 (Nil for the six months ended 30 September 2009) of the Group's net operating cash flows.

7. DIVIDENDS

	1.4.2009 to 30.9.2009 HK$'000 (unaudited)	1.4.2008 to 30.9.2008 HK$'000 (unaudited)
Dividends recognised as distribution and paid during the period:		
Final dividends of HK4 cents per share in respect of the year ended 31 March 2009	**106,783**	–

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2009 (Nil 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 owners of the Company is based on the following data:

	1.4.2009 to 30.9.2009 HK$'000 (unaudited)	1.4.2008 to 30.9.2008 HK$'000 (unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**60,416**	90,226
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible note	**–**	(10,610)
Interest on convertible note	**–**	5,045
Earnings for the purpose of diluted earnings per share	**60,416**	84,661
Number of shares:		
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,669,563**	2,614,291
Effect of dilutive potential ordinary shares:		
Share options	**17,365**	19,482
Convertible note	**–**	125,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,686,928**	2,758,773

The calculation of diluted earnings per share for the six months ended 30 September 2009 did not include the effect of conversion of convertible note since the assumed exercise of the Company's outstanding convertible note would result in an increase in earnings per share.

8. EARNINGS PER SHARE (continued)

From continuing operations

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

	1.4.2009 to 30.9.2009 HK$'000 (unaudited)	1.4.2008 to 30.9.2008 HK$'000 (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	**60,416**	90,226
Add: Loss for the period from discontinued operation	**–**	80
Earnings for the purpose of basic earnings per share from continuing operations	**60,416**	90,306
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible note	**–**	(10,610)
Interest on convertible note	**–**	5,045
Earnings for the purpose of diluted earnings per share from continuing operations	**60,416**	84,741

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

The calculation of diluted earnings per share for the six months ended 30 September 2009 did not include the effect of conversion of convertible note since the assumed exercise of the Company's outstanding convertible note would result in an increase in earnings per share.

From discontinued operation

Basic loss per share from discontinued operation for the six months ended 30 September 2008 was HK0.0031 cents (Nil for the six months ended 30 September 2009), based on the loss for the period from discontinued operation of HK$80,000 (Nil for the six months ended 30 September 2009), and denominator detailed above.

9. ADDITIONS IN PLANT AND EQUIPMENT

During the period, the Group incurred HK$673,000 (HK$1,564,000 for the six months ended 30 September 2008) to acquire plant and equipment for its business use.

10. LOAN RECEIVABLES

	30.9.2009 HK$'000 (unaudited)	31.3.2009 HK$'000 (audited)
Principal	**129,213**	129,213
Add: Accrued interest receivable	**32,391**	38,776
	161,604	167,989
Analysed for reporting purposes as:		
Current assets	**101,222**	–
Non-current assets	**60,382**	167,989
	161,604	167,989

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

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

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

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

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

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

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

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

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

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

10. LOAN RECEIVABLES (continued)

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

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

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

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

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

The effective interest rate of the loan receivables was 33.13% per annum, after taking into account of the arrangement and other fees, and was adjusted to 39.43% upon the execution of the Supplemental Deed taking into account of the RMB28,000,000 as an additional interest for the consent to the Supplemental Deed. Upon the execution of the Revised Deed, the effective interest rate was adjusted to 37.00%, and the effective interest rate was further adjusted to 7.83% upon the execution of the New Agreement on 11 August 2009.

11. 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 was fully settled in 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.

12. ACCOUNT RECEIVABLES AND ADVANCES PROVIDED TO CUSTOMERS

	30.9.2009	31.3.2009
	HK$'000	HK$'000
	(unaudited)	(audited)
Account receivables	**178,332**	106,796
Advances provided to customers	**661,073**	615,793
	839,405	722,589
Less: Allowance for bad and doubtful debts		
– account receivables	**(12,481)**	(5,488)
– advances provided to customers	**(22,278)**	(25,003)
	804,646	692,098

Notes:

(a) For the financing service business, the Group allows an average loan period of 30 days to a maximum of 180 days to its customers. Advances provided to customers are renewable upon maturity subject to negotiation between the Group and the customers.

(b) The advances provided to customers bear fixed interest rate of 4.8% (31 March 2009: 4.8% to 7.2%) 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$596,680,000 (31 March 2009: HK$533,545,000) secured by assets placed by customers such as properties and equity interests in certain PRC private entities, and advances to employees of approximately HK$42,115,000 (31 March 2009: HK$57,245,000) secured by the entire equity interest in a company owned by the employees. This company is incorporated and engaged in mining business in the PRC. The advances to employees bear fixed interest rate of 6% (31 March 2009: 6%) per annum and repayable within one year. The Group is not permitted to sell or re-pledge the collateral in the absence of default by their customers.

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

	30.9.2009	31.3.2009
	HK$'000	HK$'000
	(unaudited)	(audited)
Outstanding balances aged:		
– within one month	**63,675**	129,323
– more than one month but less than three months	**110,362**	169,948
– more than three months but less than six months	**241,070**	155,883
– more than six months	**389,539**	236,944
	804,646	692,098

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 BORROWINGS

During the period, the Group obtained new bank borrowings amounting to HK$191,011,000 and repaid bank borrowings amounting to HK$122,472,000. Bank borrowings of approximately HK$168,539,000 are variable-rate borrowings which carry annual interests ranging from the rate offered by the People's Bank of China to 120% of the rate offered by the People's Bank of China. The remaining balances of approximately HK$22,472,000 bear fixed annual interest rate of 9%. The bank borrowings are used to finance the operations of the Group.

Included in the Group's bank borrowings as at 30 September 2009 is a bank borrowing of RMB100,000,000 equivalent to approximately HK$112,360,000 from a PRC bank which is secured by charges over the Group's and the minority shareholders' interests in Rongzhong Investment Group Limited ("Rongzhong Investment"), a non-wholly owned subsidiary of the Company. The other major terms of this bank borrowing include the followings:

(a) The Company, Rongzhong Investment and a director of the Company had given guarantees to the bank for the granting of the above borrowing of not more than RMB100,000,000 in aggregate, which was fully utilised as at 30 September 2009. The guarantee provided by the Company was in proportion to its equity interest in the borrower.

(b) Mr. Wong Yu Lung, Charles (the substantial shareholder of the Company) and/or his associates (which has the meaning ascribed to it under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) at all times during the term of the facility agreement maintain their aggregate shareholding in the Company at not less than 35%.

As at 30 September 2009, the Group also had bank borrowings of RMB20,000,000 equivalent to HK$22,472,000 that are secured with a charge over the Group's and the minority shareholders' interests in Wuhan Rongzhong Pawn Shop Co. Ltd., a non-wholly owned subsidiary of the Company. The remaining balances of RMB50,000,000 equivalent to HK$56,179,000 are unsecured. These unsecured bank borrowings were obtained for certain transactions under the finance lease service business and the relevant customer of these transactions had given a guarantee to the bank for the granting of these bank borrowings in full.

15. LIABILITIES ARISING FROM FINANCIAL GUARANTEE CONTRACTS

As at 30 September 2009, the Group provided financial guarantees of RMB3,437,090,000 equivalent to approximately HK$3,861,899,000 (31 March 2009: RMB2,510,018,000 equivalent to approximately HK$2,820,245,000) to customers under the loan guarantee service business. Liabilities arising from the loan guarantee service business represent the management's best estimate of the Group's liability based on prior experience and default history of the business.

16. 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. The convertible note was matured on 2 October 2010. It can 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.

During the year ended 31 March 2009, a portion of the convertible note with a nominal value of HK$54,000,000 was converted by the note holder into 50,000,000 ordinary shares at a conversion price of HK$1.08 per ordinary share. Subsequent to 30 September 2009, the remaining convertible note with a nominal value of HK$81,000,000 was converted by the note holder into 75,000,000 ordinary shares at a conversion price of HK$1.08 per ordinary share.

16. CONVERTIBLE NOTE (continued)

The convertible note contained two components, liability component and conversion option derivative. 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	Conversion option derivative	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2009	70,568	1,964	72,532
Interest charge	3,319	–	3,319
Gain arising on change of fair value	–	(873)	(873)
At 30 September 2009	73,887	1,091	74,978

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	**30.9.2009**	31.3.2009
Share price (HK$)	**0.49**	0.35
Exercise price (HK$)	**1.08**	1.08
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	**60.687%**	73.174%
Maturity period	**3 years**	3 years
Conversion period	**1-2 years**	1-2 years

17. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

At 30 September 2009, 68,400,000 (31 March 2009: 68,400,000) preference shares were in issue.

Pursuant to the terms and conditions of the preference shares, the preference shares may be redeemed by the holders of the preference shares at any time subsequent to 50 years after the date of issue on 18 September 2001 at a redemption value of HK$10 per preference share. The preference shares carry no right to dividend distributions to the holders. The preference shares were convertible until 17 September 2004 and the conversion rights attached to the preference shares lapsed with no conversion since then.

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

18. 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:

	Number of share options
Outstanding at 1 April 2009 and 30 September 2009	141,600,000

During the period, there were no share options granted, exercised, nor lapsed.

During the period, the Group recognised the total expense of HK$6,894,000 (HK$7,812,000 for the six months ended 30 September 2008) in relation to share options granted by the Company.

19. OPERATING LEASE COMMITMENTS

At 30 September 2009, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

As lessee

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

	30.9.2009 HK$'000 (unaudited)	31.3.2009 HK$'000 (audited)
Within one year	**6,729**	10,494
After one year but within five years	**6,803**	9,215
	13,532	19,709

20. CONTINGENT LIABILITIES

At 30 September 2009, the Group had contingent liabilities of RMB3,437,090,000, equivalent to approximately HK$3,861,899,000 (31 March 2009: RMB2,510,018,000, equivalent to approximately HK$2,820,245,000) in relation to the provision of the loan guarantee service in the PRC. As at the balance sheet date, an amount of RMB8,702,000, equivalent to approximately HK$9,778,000 (31 March 2009: RMB6,150,000, equivalent to approximately HK$6,910,000) has been recognised in the condensed consolidated statement of financial position as liabilities.

21. POST BALANCE SHEET EVENT

On 13 October 2009, 52,250,000 share options were granted to eligible employee and directors at an exercise price of HK$0.50 per option share with a vesting period of three years from the date of grant. The fair value of the share options at the date of grant amounted to approximately HK$10,202,000.

22. 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

	1.4.2009 to 30.9.2009 HK$'000 (unaudited)	1.4.2008 to 30.9.2008 HK$'000 (unaudited)
Short-term employee benefits	**4,273**	4,351
Post-employment benefits	**109**	42
Share-based payment	**5,588**	5,972
	9,970	10,365

(b) Transactions with related parties

	1.4.2009 to 30.9.2009 HK$'000 (unaudited)	1.4.2008 to 30.9.2008 HK$'000 (unaudited)
Management fee income received from an associate	**2,069**	2,046
Rental expense paid to a related company with common controlling shareholders	**1,296**	1,245
Rental expense paid to a minority shareholder of a subsidiary	**297**	–

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 2009 (the "Period") and the 2009/10 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 auditor, whose independent review report has been included in page 8 of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 30 September 2009, 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)*	–	–	3.80%
	Beneficial owner	–	25,000,000 *(Note 2)*	–	0.94%
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Interest in controlled corporation	855,808,725 *(Note 1 on page 32)*	–	–	32.06%
	Beneficial owner	–	25,000,000 *(Note 2)*	–	0.94%
Miss Wong, Michelle Yatyee ("Miss Michelle Wong")	Interest in controlled corporation	568,806,792 *(Note 3 on page 32)*	–	–	21.31%
	Beneficial owner	–	16,000,000 *(Note 3)*	–	0.60%
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	46,000,000	–	–	1.72%
	Beneficial owner	–	25,000,000 *(Note 2)*	–	0.94%
Mr. Kee Wah Sze	Beneficial owner	38,000,000	–	–	1.42%
Mr. Xie Xiao Qing ("Mr. Xie")	Interest in controlled corporation	–	–	75,000,000 *(Note 4)*	2.81% *(Note 5)*
	Interest in controlled corporation	50,000,000 *(Note 6)*	–	–	1.87%
	Beneficial owner	1,900,000	–	–	0.07%
	Beneficial owner	–	16,000,000 *(Note 3)*	–	0.60%
Mr. Ma Ho Fai SBS JP	Beneficial owner	1,200,000	–	–	0.04%
Mr. Melvin Jitsumi Shiraki	Beneficial owner	5,540,000	–	–	0.21%
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

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

Notes:

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

2. On 17 August 2007, each of Mr. Wang, Mr. Wong and Mr. Ding was granted 25,000,000 options under the share option scheme of the Company (the "Share Option Scheme") to subscribe for 25,000,000 Shares, 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 Yong Hua International Limited ("Yong Hua"), 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. These Shares were held by Yong Hua.

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 2009, 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 2009, 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 2009, the interests in Shares and/or underlying Shares of the Company of every person (other than the Directors and Chief Executive) as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of underlying Shares of share options of the Company	Approximate percentage of issued share capital of the Company
Allied Luck Trading Limited ("Allied Luck")	Beneficial owner	855,808,725 *(Note 1)*	–	32.06%
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Interest in controlled corporation	855,808,725 *(Note 1)*	–	32.06%
	Interest of spouse	–	25,000,000 *(Note 2)*	0.94%
Ace Solomon Investments Limited ("Ace Solomon")	Beneficial owner	568,806,792 *(Note 3)*	–	21.31%
Aceyork Investment Limited ("Aceyork")	Interest in controlled corporation	568,806,792 *(Note 3)*	–	21.31%
Allied Golden Investment Limited ("Allied Golden")	Interest in controlled corporation	568,806,792 *(Note 3)*	–	21.31%
Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong")	Interest in controlled corporation	568,806,792 *(Note 3)*	–	21.31%
Martin Currie (Holdings) Limited	Interest in controlled corporation	159,130,000	–	5.96%

Notes:

1. These Shares were held by Allied Luck which in turn owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong, the spouse of Mr. Wong. As such, each of Mr. Wong and Mrs. Wong was respectively taken to have an interest in such Shares by virtue of their respective shareholding interests in Allied Luck.

2. As disclosed in Note 2 on page 31 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.

3. 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 2009, 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 2008/09 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	Outstanding at 31/3/09	Outstanding at 30/9/09
Directors					
Mr. Wang	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
Mr. Wong	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
Mr. Ding	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
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	23/5/2011 – 22/5/2018	1,600,000	1,600,000
Eligible employees	17/8/2007	1.014	17/8/2010 – 16/8/2017	19,800,000	19,800,000
(in aggregate)	23/5/2008	0.692	23/5/2011 – 22/5/2018	4,000,000	4,000,000
	31/12/2008	0.345	31/12/2011 – 30/12/2018	6,000,000	6,000,000
	13/3/2009	0.360	13/9/2011 – 12/3/2019	1,000,000	1,000,000
	13/3/2009	0.360	13/3/2012 – 12/3/2019	2,200,000	2,200,000
				141,600,000	141,600,000

Notes:

1. No share options were granted, exercised, lapsed or cancelled during the period; and

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

Other Information

RULE 13.21 OF THE LISTING RULES

Pursuant to Rule 13.21 of the Listing Rules, the following specific performance obligation of the Controlling Shareholders (as defined below) existed at 30 September 2009:

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

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

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

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

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