



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

Stock Code: 00172

# 金榜

ANNUAL REPORT 2010/11

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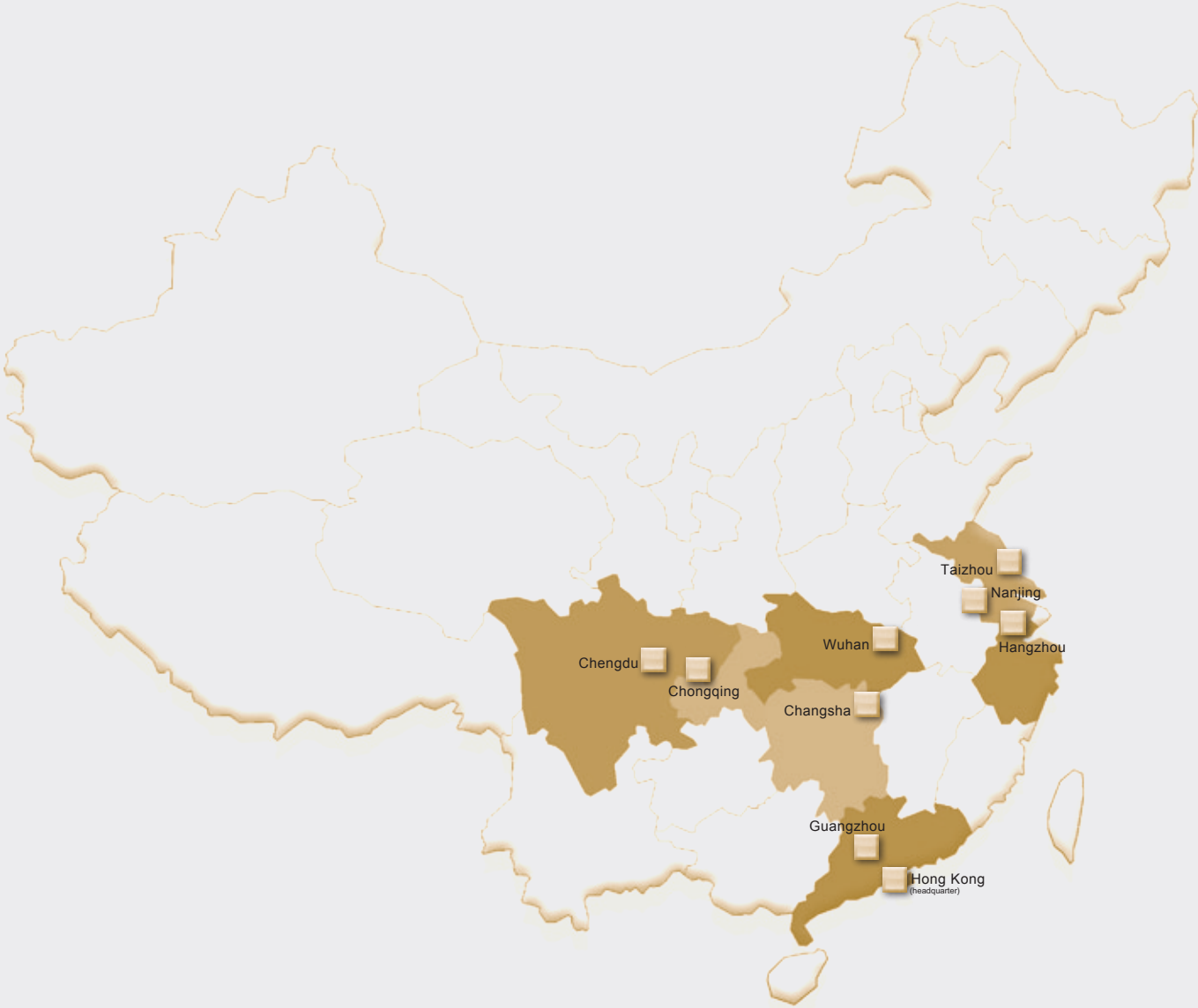
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# BUSINESS OVERVIEW

## ONE-STOP-SHOP FINANCIAL SERVICES PROVIDER



# EXTENSIVE NETWORK IN CHINA



 CITIES WITH OUR OPERATIONS

# CORPORATE INFORMATION AND KEY DATES

## BOARD OF DIRECTORS

### *Executive Directors*

Mr. Wang Jun (*Chairman*)  
Mr. Wong Yu Lung, Charles  
(*Deputy Chairman*)  
Mr. Ding Chung Keung, Vincent  
(*Chief Executive Officer*)  
Mr. Kee Wah Sze  
Mr. Xie Xiao Qing  
Ms. 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

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## STOCK CODE

00172

## 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  
Shops 1712-16  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## LEGAL ADVISER

Iu, Lai & Li

## PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
China Construction Bank (Asia) Corporation Limited  
CITIC Bank International 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>

## KEY DATES

### *Closure of Registers of Members*

22 August 2011 to 25 August 2011  
(both dates inclusive)

### *Annual General Meeting*

25 August 2011

### *Proposed Payment of Final Dividend #*

1 September 2011

# subject to shareholders' approval of the final dividend at the Annual General Meeting

## FIVE-YEAR FINANCIAL STATISTICS

### RESULTS

	For the year ended 31 March				
	2011 HK\$ Million	2010 HK\$ Million	2009 HK\$ Million	2008 HK\$ Million	2007 HK\$ Million
Revenue	286.8	306.1	351.1	229.4	59.7
Profit before taxation	131.2	166.1	211.5	193.8	38.2
Taxation	(39.8)	(32.3)	(45.1)	(12.4)	10.5
Profit for the year	91.4	133.8	166.4	181.4	48.7
Other comprehensive income	79.4	–	14.2	37.5	3.9
Total comprehensive income for the year	170.8	133.8	180.6	218.9	52.6
Total comprehensive income attributable to:					
Owners of the Company	137.1	118.6	161.5	209.9	52.6
Non-controlling interests	33.7	15.2	19.1	9.0	–
	170.8	133.8	180.6	218.9	52.6
Dividend per Share (HK cents)	2	2	4	–	–

### ASSETS AND LIABILITIES

	As at 31 March				
	2011 HK\$ Million	2010 HK\$ Million	2009 HK\$ Million	2008 HK\$ Million	2007 HK\$ Million
Total assets	2,573.4	2,087.2	1,809.5	1,512.5	911.3
Total liabilities	(958.9)	(600.4)	(442.0)	(398.6)	(497.1)
Non-controlling interests	(154.0)	(121.5)	(104.0)	(77.0)	–
Equity attributable to owners of the Company	1,460.5	1,365.3	1,263.5	1,036.9	414.2
Net asset value per Share (HK cents)	52.9	49.7	47.3	39.9	24.7

## BOARD OF DIRECTORS

**Mr. Wang Jun**, aged 70, is the Chairman and executive Director of the Company since April 2007. He was the former Chairman of CITIC Group in Beijing. Mr. Wang graduated from Harbin Engineering Institute in the People's Republic of China ("China").

Mr. Wang is currently a chairman of CITIC 21CN Company Limited and an independent non-executive director of China Communications Services Corporation Limited, all being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Mr. Wong Yu Lung, Charles**, aged 61, is the Deputy Chairman of the Company. He joined the Company in January 2003 and is responsible for corporate strategic planning of the Group. Mr. Wong has over thirty-three years of worldwide experience in the procurement and logistics of consumer products. He is an international entrepreneur of repute and was the president of Pacific Resources Export Limited ("Pacific Resources"). Pacific Resources had been the worldwide exclusive procurement agent for Wal-mart for twelve years until 2002, with annual turnover reaching approximately US\$6.5 billion. Throughout his years in operating Pacific Resources and twenty-nine branch offices spreading over the world including the United States of America ("U.S.A."), South America, Central America, Indian Subcontinent, Middle East, Asia and Europe, Mr. Wong has accumulated valuable experience and profound knowledge, in particular, market mechanism and demand, manufacturing industry, financial market, capital investment and asset management.

Mr. Wong is the father of Ms. Wong, Michelle Yatyee, an executive Director of the Company.

As at the date of this report, Mr. Wong is also a director of Ace Solomon Investments Limited, Aceyork Investment Limited, Allied Golden Investment Limited and Allied Luck Trading Limited, all being companies which had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of the Securities and Futures Ordinance ("substantial shareholders' discloseable interests").

**Mr. Ding Chung Keung, Vincent**, aged 41, is the Chief Executive Officer of the Company. He joined the Company in January 2004 and oversees all business operations of the Group. Mr. Ding is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has been in the investment, audit and finance industries for more than twenty years.

Prior to joining the Company, Mr. Ding was the managing director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) and Capital Estate Limited, the issued shares of all the aforesaid companies are listed on the Main Board of the Stock Exchange. Mr. Ding holds a bachelor degree in business administration from The Chinese University of Hong Kong.

**Mr. Kee Wah Sze**, aged 63, an executive Director since January 2003, is responsible for legal aspect of the business of the Group. He is a practicing solicitor in Hong Kong and the senior partner of Michael Cheuk, Wong & Kee and also a notary public and a China-Appointed Attesting Officer in Hong Kong. He has over twenty-four years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and China.

Currently, Mr. Kee is an independent non-executive director of Fushan International Energy Group Limited and Theme International Holdings Limited, all being companies listed on the Stock Exchange.

## BOARD OF DIRECTORS

**Mr. Xie Xiao Qing**, aged 50, has been an executive Director since April 2007. He is also the director of Rongzhong Group Limited (“Rongzhong”) and most of its subsidiaries, supervises the businesses of the group of Rongzhong. Mr. Xie is the chairman of the Wuhan Pawn Association, a guest professor of the Management Technology College of the Hubei University of Economy, an arbitrator of the Wuhan Arbitration Commission and a member of Hubei Provincial People’s Congress.

**Ms. Wong, Michelle Yatyee**, aged 30, an executive Director since February 2007. She graduated from University of Southern California, California, the United States of America with a bachelor degree of arts in political science and holds a juris doctorate in law from Whittier Law School, California, the U.S.A.

Ms. Wong is the daughter of Mr. Wong, the Deputy Chairman of the Company.

As at the date of this report, Ms. Wong is also a director of Ace Solomon Investment Limited, Aceyork Investment Limited and Allied Golden Investment Limited, all being companies which had substantial shareholders’ discloseable interests.

**Mr. Ma Ho Fai** SBS JP, aged 59, joined the Company as an independent non-executive Director in February 2003. He is a member of both the Company’s audit committee and the remuneration committee. Mr. Ma is a partner of Woo, Kwan, Lee & Lo and was admitted as a solicitor in Hong Kong, England and Wales, Australian Capital Territory and Singapore. He is also a China-Appointed Attesting Officer in Hong Kong. In addition, he is a Deputy to the 11th National People’s Congress of China and a member of the 10th Yunnan Provincial Committee of the Chinese People Political Consultative Conference.

**Mr. Melvin Jitsumi Shiraki**, aged 65, joined the Company as an independent non-executive Director and a member of the Company’s audit committee in September 2004. He is a business commerce and trade industry professional with more than thirty-three years of experience in the international arena. He has successfully established buying agent offices in various Asian countries, advancing the growth of various U.S.A. retail import programs, negotiating contracts and supervising administrative operations and business services.

**Mr. Cheng Yuk Wo**, aged 50, joined the Company as an independent non-executive Director in November 2007. He is also the Chairman of both the Company’s audit committee and the remuneration committee. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is the proprietor of a certified public accountant practice in Hong Kong.

Mr. Cheng is currently an executive director of 21 Holdings Limited, an independent non-executive director of CSI Properties Limited, C.P. Lotus Corporation (formerly known as Chia Tai Enterprises International Limited), Chong Hing Bank Limited, HKC (Holdings) Limited, South China Land Limited, CPMC Holdings Limited, Imagi International Holdings Limited and Top Spring International Holdings Limited, all being companies listed on the Stock Exchange.



## MANAGEMENT DISCUSSION AND ANALYSIS

2010/11 was another challenging year to the Group. China's economy has continued its strong pace of growth but the rising inflation rate in China has triggered concern of overheating economy, particularly in the real estate market. The Chinese government has employed a number of financial and monetary policies to tighten the market liquidity and stabilize the general prices leading to several adjustments to the real estate market in China. Banks in China have reduced their loan resources to meet the deposit reserve ratio as required by the People's Bank of China. Such moves have significantly increased the challenges of working capital shortage encountered by borrowers in China and weakened borrowers' repayment ability of short term bridging loan, which is a major product of the Group's financing business. In addition, since real estate property is a major collateral to secure advances provided to customers, the Group has continued its conservative approach in growing the financing business and adopted a more competitive pricing strategy to attract and retain high quality customers which then slightly affected the result of the financing business for the year. On the other hand, given the recent encouragement by the Chinese government to boost up the small-to-medium enterprises ("SMEs") development in China, the Group has allocated more resources in developing the medium term financial leasing business to seize the growth opportunity with favorable result in current year.

### RESULTS AND DIVIDEND

For the year ended 31 March 2011 (the "Year"), the Group's revenue amounted to approximately HK\$286,772,000 (2010: HK\$306,097,000), representing a decrease of 6%. Such decrease represented the net effect of (1) the drop in income from financing a property development project in Zhuhai, China ("Zhuhai Project Financing") by approximately HK\$22,310,000 after partial settlement received during the Year; (2) the fall of other financing business by approximately HK\$27,080,000 and (3) the growth of financial leasing business by approximately HK\$24,122,000.

Profit for the Year attributable to the owners of the Company was approximately HK\$64,661,000 (2010: HK\$118,602,000), representing a decrease of 45%. The decrease was mainly due to (1) the drop in profit from Zhuhai Project Financing by approximately HK\$22,288,000; (2) the decrease of share of profits of an associate by approximately HK\$6,454,000 and (3) the increase in attributable exchange loss of approximately HK\$24,797,000.

Since the Group's functional currency is Renminbi ("RMB") which has appreciated significantly during the Year, a net attributable exchange loss of approximately HK\$24,116,000 on non-RMB denominated net assets, mainly short term bank deposits, bank balances and cash, was charged to the profit for the Year. Together with the equity-settled share based payment of HK\$8,907,000, the total major non cash expenditure charged to the profit for the Year attributable to the owners of the Company was approximately HK\$33,023,000. Excluding these major non cash expenses, the profit for the Year attributable to the owners of the Company should be approximately HK\$97,684,000.

Total comprehensive income attributable to the owners of the Company for the Year was approximately HK\$137,072,000 (2010: HK\$118,602,000), representing an increase of 16%. Such increase was mainly due to the net attributable exchange gain of approximately HK\$72,411,000 recognised as other comprehensive income resulting from the translation of all assets and liabilities from RMB into Hong Kong dollar (the Group's presentation currency) as at 31 March 2011 in accordance with the Hong Kong Accounting Standard 21.

The Board has proposed a final dividend of HK2 cents per share in respect of the results for the Year (2010: HK2 cents per share). The ratio of dividend to profit for the Year attributable to the owners of the Company was 85% (2010: 46%) based on the issued share capital as at 31 March 2011. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 25 August 2011 (the "AGM"), the final dividend will be distributed on or about 1 September 2011 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 25 August 2011.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

In March 2010, the Group and Rongzhong entered into a loan agreement pursuant to which the Group conditionally agreed to make available a revolving working capital loan facility of HK\$900 million to Rongzhong at an interest rate of 10% per annum. As at 31 March 2011, the total outstanding loan amount was approximately HK\$627,000,000 (2010: HK\$536,192,000).

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

### Financing

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

The Group aims to provide short term financing solutions to customers and offers various types of financing service, consisting of the provision of bridging loans for application or renewal of banking facilities, deposits for tender bidding, financing for management buyout, acquisition, disposal, property development project and trust scheme establishment.

As at 31 March 2011, the Group had gross advances to customers of approximately HK\$1,034,654,000 (2010: HK\$762,240,000) and loans receivable from Zhuhai Project Financing of HK\$62,146,000 (2010: HK\$161,220,000). The sharp decrease in the loans receivable from Zhuhai Project Financing was resulted from an aggregate settlement of approximately HK\$115,950,000 received during the Year. This loan portfolio generated a total revenue for the Year of approximately HK\$194,277,000 (2010: HK\$243,667,000), representing a decrease of 20% mainly due to:

1. less income was recognised from Zhuhai Project Financing after partial settlement received during the Year; and
2. a more competitive pricing strategy was adopted to attract and retain high quality customers in view of the uncertainty of the real estate market and the liquidity shortage in China.

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

### Financial Leasing

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Leveraging on banking facilities from various banks in China, Rongzhong Finance Lease recorded a remarkable growth in the Year. As at 31 March 2011, the carrying value of finance leases receivable amounted to approximately HK\$484,176,000 (2010: HK\$170,306,000), representing an increase of 184%. This portfolio contributed a total revenue for the Year of approximately HK\$35,223,000 (2010: HK\$11,101,000), representing an increase of 217%. While the financial leasing business is currently going through a strong growth stage, the ability to maintain healthy asset quality is always of vital importance to the success of doing this business. As at 31 March 2011, there was no record of any 30 days overdue or non-performing assets.

In order to fuel the long term growth of the financial leasing business, the Group had strengthened the capital base of Rongzhong Finance Lease by the completion of the second phase capital injection of US\$10 million in September 2010. As at 31 March 2011, the total registered capital of Rongzhong Finance Lease was US\$20 million.

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

### Loan Guarantee

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

During the Year, the Group had issued new loan guarantees in an aggregate amount of approximately RMB1.9 billion (2010: RMB4.6 billion), representing a decrease of 59%. The revenue for the Year; however, increased by 12% to approximately HK\$57,272,000 (2010: HK\$51,329,000) as a result of focusing on the development of those shorter term but more profitable SMEs loan guarantee products during the Year. The Group will continue monitoring the market demand and the product mix to ensure a balanced but competitive return for the loan guarantee business.

Guarantee income is recognised over the life of guarantee contracts. As at 31 March 2011, the deferred income was approximately HK\$45,446,000 (2010: HK\$49,715,000) which would be recognised in the forthcoming three financial years.

### OUTLOOK

2011 is the first year to implement the “12th Five-Year Plan” with an aim to stimulate domestic consumption, develop strategic industries, accelerate the growth of services industry, promote urbanisation and, most importantly, create a balanced economy to allow all Chinese residents prosper in the long run.

The Group considers that this long term driver of China’s economy will cause China to remain the fastest-growing among the world’s biggest economies and continue offering great opportunity for SMEs to grow, especially those targeting domestic consumption and located in central and western regions of China. With extensive business and distribution network in central region of China, the Group sees ample opportunity to grow in equipment and machinery financing business, particularly in financial leasing service which only represents a very small portion of financing sources in China currently. Given the existing financial leasing penetration rate of China is only around 3% (the proportion of equipment investment via leasing in the total equipment investment) which is far less than that of the developed countries ranging from around 10% to 30%, the Group anticipates that, along with the steady economic growth in China, this leasing penetration rate of China will ultimately reach the global average, representing a big room for expansion. Accordingly, more resources will be put in the financial leasing business to capture this huge growth potential in the coming years. Meanwhile, the Group will remain cautious in developing both financing and loan guarantee businesses in view of the stringent monetary policy and the overheating real estate market in China.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group always maintains healthy cash position and sufficient capital for business development. As at 31 March 2011, the aggregate sum of cash, bank balances and short term bank deposits amounted to approximately HK\$443,235,000 (2010: \$452,553,000). The working capital (current assets less current liabilities) and the total equity of the Group were approximately HK\$1,416,795,000 (2010: HK\$1,496,701,000) and approximately HK\$1,614,525,000 (2010: HK\$1,486,776,000) respectively.

All bank borrowings of the Group were granted by banks in China and are denominated in RMB bearing variable interest with reference to the rate offered by the People's Bank of China. As at 31 March 2011, the total bank borrowing of the Group was approximately HK\$502,641,000 (2010: HK\$314,607,000) in which approximately HK\$248,016,000 (2010: HK\$52,809,000) would be repayable within one year and approximately HK\$254,625,000 (2010: HK\$261,798,000) would be due after one year. The increase in total bank borrowing was solely to support the expansion of financial leasing business during the Year.

For bank borrowing relating to the development of financial leasing business in an aggregate amount of approximately HK\$383,594,000 (2010: HK\$179,775,000), the Group has transferred most interest rate risk exposure to customers by allowing adjustment to the amount of leases receivable with reference to the change in market interest rates. Apart from this, the Group has not used any derivative to hedge against other interest rate risk exposure.

### LIQUIDITY AND GEARING RATIO

The Group's healthy liquidity position is shown by the current ratio maintained throughout the Year. As at 31 March 2011, the current ratio (current assets/current liabilities) of the Group was 3.15 times (2010: 6.15 times). The drop was largely due to the reclassification of bank borrowing from non-current liabilities to current liabilities in accordance with the loan maturity date.

As the economic environment in China is rather uncertain in the short run, it is the Group's intention to maintain a moderate level of gearing ratio. As at 31 March 2011, the debt-to-equity ratio (total bank borrowing/total equity) of the Group was 31.1% (2010: 21.2%) while the net debt position was 11.2% (2010: nil) after considering the cash and cash equivalents position maintained by the Group.

### CHARGES ON GROUP ASSETS

As at 31 March 2011, the bank borrowings of the Group were secured by the following:

- (a) a charge over the Group's and the non-controlling shareholders' indirect interests in Rongzhong Capital Investments Group Limited# (融眾資本投資集團有限公司); and
- (b) certain finance leases receivable of the Group with an aggregate carrying value of approximately HK\$252,555,000 (2010: HK\$90,186,000).

As at 31 March 2011, the banking facilities granted to the Group by banks in China were secured by the security deposits in an aggregate amount of approximately HK\$200,947,000 (2010: HK\$172,849,000).

# for identification only

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

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

### **CONTINGENT LIABILITIES**

The Group provides loan guarantee service to customers in China. As at 31 March 2011, the Group had contingent liabilities in relation to the loan guarantee business of approximately HK\$3,253,100,000 (2010: HK\$3,932,711,000) in which approximately HK\$8,797,000 (2010: HK\$10,180,000) were recognised in the consolidated statement of financial position as liabilities.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2011, the Group had approximately 400 staff located in both Hong Kong and China. The Group remunerates these employees based on their performance, experience and prevailing industry practices. Other benefits offered to these employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

## MAJOR PROPERTIES

Particulars of major properties as at 31 March 2011 are as follows:

### PROPERTIES HELD FOR SALE

Location	Gross floor area (square meter)	Existing use	Group's effective interest
Guizi Garden 1st Floor, Building 9-10 No. 428 Xiongchu Avenue Hongshan District Wuhan China	2,521	Commercial	71%
Guizi Garden Basement, Building 9-10 No. 428 Xiongchu Avenue Hongshan District Wuhan China	2,683	Car park	71%

# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Recognising the importance of shareholders' transparency and accountability, the Directors of the Company (the "Board") believe that shareholders can enhance their benefits from good corporate governance.

Throughout the year ended 31 March 2011 under review, the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the Year.

## BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Company and its subsidiaries (the "Group") and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

### Board Composition

As at the date of this report, the Board comprises nine members. Six are Executive Directors and three are Independent Non-executive Directors. Their biographical details and respective relationships with other Directors of the Company are set out on pages 6 to 7 and whose respective interests in the Company, if any, are set out on page 22 of this annual report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the Directors.

### Appointment, Re-election and Removal of Directors

Pursuant to the Company's articles of association (the "Articles"), a person may be appointed as a member of the Board at any time either by the Shareholders in a general meeting or by the Board. In addition to the Articles, pursuant to Appendix 3 of the Listing Rules, Director so appointed must retire at the next annual general meeting ("AGM") after his appointment but shall be eligible for re-election at such meeting.

According to the Articles and the CG Code, no less than one-third of the Directors for the time being shall retire from office by rotation at each AGM provided that every director shall be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election.

The Company may remove any Director by an ordinary resolution at a general meeting pursuant to the Articles.

In accordance with the CG Code, independent non-executive Directors have been appointed for a term of three years upon their appointment, and are eligible for re-appointment and subject to the retirement and re-election provisions contained in the Articles. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of them meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

# CORPORATE GOVERNANCE REPORT

## **Board Practices**

The Board operates in accordance with the Articles. It meets from time to time according to the business requirement of the Company. During the Year, the Board held regular meetings and met more frequently as and when required. Details of the Directors' attendance at the regular board meetings during the Year are set out on page 17 of this annual report. In order to make timely decision and have effective implementation of the Company's policy and decision, written resolutions signed by all Directors have been adopted from time to time.

The Board is supported by two Board committees, namely Remuneration Committee and Audit Committee. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of each committee are available on the Company's website.

At least 14 days' notice of a regular Board/committee meeting is given to all Directors/committee members to provide them with an opportunity to attend and they are given an opportunity to include matters in the agenda for a Board/committee meeting. Agenda and accompanying board papers are sent in full to all Directors/committee members at least 3 days before the intended date of a Board/committee meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors/committee members are unable to attend a meeting, they are advised the matters to be discussed and given an opportunity to make their views known to the Company Secretary, on behalf of the Chairman and the chairman of the committee, prior to the convening of each Board meeting/committee meeting.

Directors/committee members are free to contribute alternative views at meetings and major decisions would only be taken after deliberation at Board/committee meetings. If a Director has a conflict of interest in a manner to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a Board meeting would be held. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed, would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution proposed at the Board meeting.

The Company Secretary is responsible for taking minutes of Board and committee meetings, which would be sent to Directors/committee members within a reasonable time after each meeting and be made available for inspection by Directors/committee members.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are followed and complied with, and advising the Board on compliance matters.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The position of the Chairman and Chief Executive Officer of the Board are held by separate individuals to maintain and preserve independence and an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

The Chairman provides leadership to the Board so that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the notice and agenda for each Board meeting to the Company Secretary. With the support of executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

The Chief Executive Officer is responsible for the formulation of business directions and operational decisions of the management and performance of the Group. The Chief Executive Officer, together with the other Executive Directors and management team, is responsible for the implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.



# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Remuneration Committee meets at least once a year. Details of its composition are set out on page 4 of this annual report. The principal responsibilities of Remuneration Committee include, among others, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. No Director and executive can determine his own remuneration. The terms of reference of the Remuneration Committee are posted on the Company's website.

During the Year, the Remuneration Committee held one meeting and reviewed the remuneration packages of all Directors and the overall remuneration policy of the Company. It also made recommendations to the Board regarding the above. Details of the committee members' attendance at the meeting during the Year are set out on page 17 of this annual report.

The remuneration for the executive Directors comprises basic salary, discretionary bonus, pensions and share options. They are determined based on the skill, knowledge and involvement in the Company's affairs of each executive Director and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. Details of the amount of Directors' remuneration for the Year are set out in Note 9 to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and Note 35 to the financial statements of this annual report.

## AUDIT COMMITTEE

The Audit Committee meets at least twice a year with its primary duties to oversee the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls. All of its members are appointed from the independent non-executive Directors, with its Chairman having appropriate professional qualification and experience in financial matters. Details of its composition are set out on page 4 of this annual report. The terms of reference of the Audit Committee are posted on the Company's website.

During the Year, the Audit Committee met on two occasions, in addition to a number of informal discussions, in furtherance of its duties to review the truth and fairness of the Group's financial statements and to consider the nature and scope of external audit reviews. Details of the committee members' attendance at the meeting during the Year are set out on page 17 of this annual report.

## NOMINATION OF DIRECTORS

The Company does not have a nomination committee, and the power to nominate or appoint additional directors is vested in the Board according to the Articles, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the Articles and the Companies Ordinance of Hong Kong.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follow the Articles which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE AT THE MEETINGS

Name of Directors during the Year	Number of meetings attended/held while being a Director/committee member during the Year		
	Board	Audit Committee	Remuneration Committee
<b>Executive Directors</b>			
Mr. Wang Jun	2/4	–	–
Mr. Wong Yu Lung, Charles	4/4	–	–
Mr. Ding Chung Keung, Vincent	4/4	–	–
Mr. Kee Wah Sze	2/4	–	1/1
Mr. Xie Xiao Qing	3/4	–	–
Ms. Wong, Michelle Yatye	2/4	–	–
<b>Independent Non-Executive Directors</b>			
Mr. Ma Ho Fai SBS JP	2/4	2/2	1/1
Mr. Melvin Jitsumi Shiraki	2/4	1/2	–
Mr. Cheng Yuk Wo (Chairman of both Audit Committee and Remuneration Committee)	2/4	2/2	1/1

## CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions which were subject to annual review requirement pursuant to the Listing Rules:

- On 24 March 2010, the Company, as tenant, and Wah Link Investments Limited ("Wah Link"), as landlord, executed a tenancy agreement whereby the Company agreed to lease certain areas located at Unit 1901 and portion of Units 1902-3, 19th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong (the "Lease") for a term of three years commencing from 1 May 2010 at a monthly rental of HK\$184,548 (exclusive of management fees, rate, government rent and operating expenses).

Wah Link is beneficially owned by the spouse of Mr. Wong Yu Lung, Charles ("Mr. Wong"), the Deputy Chairman of the Company, and a close relative of Mr. Wong and is regarded as a connected person of the Company according to the Listing Rules. Therefore, the Lease constituted continuing connected transaction for the Company. Details of which were announced on 24 March 2010.

- On 24 March 2010, Rongzhong, as tenant, entered into a tenancy agreement with Wah Link, as landlord, whereby Rongzhong agreed to lease certain areas located at Units 1905-6, 19th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong (the "Rongzhong Lease") for a term of three years commencing from 1 May 2010 at a monthly rental of HK\$31,434 (exclusive of management fees, rate, government rent and operating expenses). Same as point no. (1) above, the Rongzhong Lease also constituted continuing connected transaction for the Company. Details of which were announced on 24 March 2010.

The above continuing connected transactions had been reviewed by the independent non-executive Directors who had confirmed that they were entered into:

- in the ordinary and usual course of business of the Company;
- on normal commercial terms; and
- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

# CORPORATE GOVERNANCE REPORT

The external auditor of the Company had also confirmed in writing that the above continuing connected transactions:

- (a) had been approved by the Board;
- (b) were entered into in accordance with the relevant agreement governing the respective transaction; and
- (c) the relevant amounts of the respective continuing connected transaction did not exceed the limit as set out in the relevant announcement.

## RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards. Certain details of these transactions are set out in Note 39 to the financial statements.

## DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Finance and Accounting Department, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor’s Report on page 29.

## AUDITOR’S REMUNERATION

The remuneration for the Year in respect of audit and non-audit services paid to the Company’s auditor amounted to approximately HK\$1,938,000 and approximately HK\$513,000 respectively.

## INTERNAL CONTROLS

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and the Company’s assets. The system of internal controls aims to help achieving the Group’s business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. The design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The management reviews the internal control system and evaluates its adequacy, effectiveness and compliance. It has reported to the Audit Committee from time to time during the Year, in conjunction with key findings identified by the external auditor, findings and actions or measures taken in addressing those internal controls. The Audit Committee in turn reports any material issues to the Board. The Board, also reviews plan and progress on continuous improvement work of the Company’s internal control system on a periodic basis.

## COMMUNICATION WITH SHAREHOLDERS

The Company’s AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company’s performance. Separate resolutions will be proposed for each substantially separate issue at the AGM.

In accordance with the Listing Rules, the vote of shareholders at general meetings will be taken by poll and the poll results will be posted on the designated websites of the Stock Exchange and the Company on the same day following the shareholders’ meeting.

Information about the Company can be found in the Company’s website including, but not limited to, descriptions of the business, announcements and the annual/interim reports.

The Directors submit their report together with the audited financial statements of the Group for the Year.

## **PLACE OF INCORPORATION OF THE COMPANY AND PRINCIPAL ACTIVITIES OF THE GROUP**

The Company is an investment holding company incorporated in Hong Kong. The principal activities and other particulars of its subsidiaries are set out in Note 40 on the financial statements.

## **RESULTS AND DIVIDEND**

The results of the Group for the Year and the state of the Group's and the Company's affairs as at 31 March 2011 are set out in the financial statements on pages 30 to 94.

The Directors recommend the payment of a final dividend in respect of the Year of HK2 cents (2010: HK2 cents) per share to the shareholders on the register of members of the Company on 25 August 2011, estimated to be approximately HK\$55.21 million (2010: approximately HK\$54.89 million). The recommended final dividend will be voted by the shareholders of the Company at the AGM to be held on 25 August 2011.

## **SEGMENT INFORMATION**

The Group's revenue and profit from operating activities for the Year were derived from provision of financial services in China. Segment analysis is set out in Note 6 on the financial statements.

## **FINANCIAL INFORMATION**

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 5 of this annual report.

## **EQUIPMENT**

Details of movements in equipment of the Group and the Company are set out in Note 13 on the financial statements.

## **PROPERTIES**

Particulars of the major properties and property interests of the Group are shown on page 13 of this annual report.

# DIRECTORS' REPORT

## RESERVES AND DISTRIBUTABLE RESERVES

Movement during the Year in the reserves of the Group is set out in the consolidated statement of changes in equity on page 34 of this annual report and movement in the reserves of the Company is set out in Note 29 to the financial statements.

As at 31 March 2011, the Company had, before dividends, approximately HK\$206.567 million (2010: HK\$127.160 million) distributable reserves as calculated under Section 79B of the Hong Kong Companies Ordinance.

## BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2011 are set out in Note 26 to the financial statements.

## SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in Note 28 to the financial statements.

## CONVERTIBLE NOTES

Details of the convertible notes are set out in Note 30 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for approximately 25% (2010: 31%) of the Group's revenue and the largest customer accounted for approximately 7% (2010: 12%) of the Group's revenue.

Due to the nature of the activities of the Group, there is no major supplier contributed significantly in the Group's purchases.

At no time during the Year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have any interest in any of the Group's five largest customers.

## RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme. Particulars of which are set out in Note 38 on the financial statements.

## DIRECTORS AND SERVICE CONTRACTS

The Directors during the Year were:

### Executive Directors

Mr. Wang Jun  
Mr. Wong Yu Lung, Charles  
Mr. Ding Chung Keung, Vincent  
Mr. Kee Wah Sze  
Mr. Xie Xiao Qing  
Ms. Wong, Michelle Yatyee

### Independent Non-Executive Directors

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

Pursuant to articles 117 and 118 of the Articles, Messrs. Ding Chung Keung, Vincent, Ma Ho Fai SBS JP and Melvin Jitsumi Shiraki shall retire from the Board at the forthcoming AGM. All retiring Directors, being eligible, offer themselves for re-election at the AGM. Details of the retiring Directors standing for re-election are set out in the circular to the Company's shareholders sent together with this report.

No Director being proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than normal statutory obligations.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 6 to 7 of this annual report.

## DIRECTORS' REMUNERATION

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in Note 9 to the financial statements.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Continuing Connected Transactions" on page 17 of this annual report and in Note 39 to the financial statements in connection with the related party transactions, no contracts of significance in relation to the Group's business to which the Company and any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the Year.

# DIRECTORS' REPORT

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

At 31 March 2011, the Directors and chief executive of the Company ("Chief Executive") and their respective associates had the following interests in the shares and underlying shares 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	Approximate percentage of issued share capital of the Company
Mr. Wang Jun ("Mr. Wang")	Interest in controlled corporation	101,251,300 (Note 1)	–	3.67%
	Beneficial owner	–	25,000,000 (Note 2)	0.91%
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Interest in controlled corporation	855,808,725 (Note 1 on page 25)	–	31.00%
	Beneficial owner	–	25,000,000 (Note 2)	0.91%
	Beneficial owner	–	26,000,000 (Note 3)	0.94%
	Beneficial owner	–	26,000,000 (Note 4)	0.94%
Ms. Wong, Michelle Yatye ("Ms. Michelle Wong")	Interest in controlled corporation	584,806,792 (Note 3 on page 25)	–	21.18%
	Beneficial owner	–	13,000,000 (Note 4)	0.47%
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	46,000,000	–	1.67%
	Beneficial owner	–	25,000,000 (Note 2)	0.91%
	Beneficial owner	–	26,000,000 (Note 3)	0.94%
	Beneficial owner	–	26,000,000 (Note 4)	0.94%
Mr. Kee Wah Sze ("Mr. Kee")	Beneficial owner	30,000,000	–	1.09%
	Beneficial owner	–	1,500,000 (Note 4)	0.05%
Mr. Xie Xiao Qing ("Mr. Xie")	Interest in controlled corporation	125,000,000 (Note 5)	–	4.53%
	Beneficial owner	1,900,000	–	0.07%
	Beneficial owner	–	16,000,000 (Note 6)	0.58%
Mr. Ma Ho Fai SBS JP ("Mr. Ma")	Beneficial owner	1,200,000	–	0.04%
	Beneficial owner	–	1,500,000 (Note 4)	0.05%
Mr. Melvin Jitsumi Shiraki ("Mr. Shiraki")	Beneficial owner	5,540,000	–	0.20%
	Beneficial owner	–	1,500,000 (Note 4)	0.05%
Mr. Cheng Yuk Wo ("Mr. Cheng")	Beneficial owner	–	1,600,000 (Note 7)	0.06%
	Beneficial owner	–	2,600,000 (Note 4)	0.09%

## 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 share options under the share option scheme of the Company (the "Share Option Scheme"), exercisable at a price of HK\$1.014 per Share during the period from 17 August 2010 to 16 August 2017.
3. On 13 October 2009, each of Mr. Wong and Mr. Ding was granted 26,000,000 share options under the Share Option Scheme, exercisable at a price of HK\$0.500 per Share during the period from 13 October 2012 to 12 October 2019.
4. On 1 February 2011, such number of share options were granted to him/her under the Share Option Scheme, exercisable at a price of HK\$0.410 per Share during the period from 1 February 2014 to 31 January 2021.
5. These Shares were held by Yong Hua International Limited, a company wholly-owned by Mr. Xie.
6. On 29 March 2007, Mr. Xie was granted 16,000,000 share options under the Share Option Scheme, exercisable at a price of HK\$0.256 per Share during the period from 29 March 2010 to 28 March 2017.
7. On 23 May 2008, Mr. Cheng was granted 1,600,000 share options under the Share Option Scheme, 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 31 March 2011, 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 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 31 March 2011, 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.



## DIRECTORS' REPORT

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31 March 2011, 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:

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Number of underlying Shares of share options of the Company</b>	<b>Approximate percentage of issued share capital of the Company</b>
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Interest in controlled corporation	855,808,725 <i>(Note 1)</i>	–	31.00%
	Interest of spouse	–	77,000,000 <i>(Note 2)</i>	2.79%
Allied Luck Trading Limited ("Allied Luck")	Beneficial owner	855,808,725 <i>(Note 1)</i>	–	31.00%
Kwok, Gareth Wing-Sien ("Mr. Kwok")	Interest of spouse	584,806,792 <i>(Note 3)</i>	13,000,000 <i>(Note 4)</i>	21.66%
Ace Solomon Investments Limited ("Ace Solomon")	Beneficial owner	584,806,792 <i>(Note 3)</i>	–	21.18%
Aceyork Investment Limited ("Aceyork")	Interest in controlled corporation	584,806,792 <i>(Note 3)</i>	–	21.18%
Allied Golden Investment Limited ("Allied Golden")	Interest in controlled corporation	584,806,792 <i>(Note 3)</i>	–	21.18%
Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong")	Interest in controlled corporation	584,806,792 <i>(Note 3)</i>	–	21.18%
Martin Currie (Holdings) Limited	Interest in controlled corporation	163,280,000 <i>(Note 5)</i>	–	5.91%

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

### 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 Notes 2, 3 and 4 on page 23 of this report, Mr. Wong was granted a total of 77,000,000 share options to subscribe for 77,000,000 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 Ms. Michelle Wong) and as to 50% by Allied Golden (a company wholly-owned by Miss Jacqueline Wong). As such, each of Aceyork, Allied Golden, Ms. Michelle Wong, Mr. Kwok (the spouse of Ms. Michelle Wong) and Miss Jacqueline Wong was respectively deemed to be interested in all these Shares.
4. As disclosed in Note 4 on page 23, Ms. Michelle Wong was granted 13,000,000 share options to subscribe for 13,000,000 Shares. As such, Mr. Kwok was taken to have such interest in the underlying Shares under the SFO.
5. According to the best knowledge of the Directors and the disclosure of interest notice filed by Martin Currie (Holdings) Limited, among these Shares, 24,490,000 Shares were directly held by Martin Currie Inc and 138,790,000 Shares were directly held by Martin Currie Investment Management.

Martin Currie Inc and Martin Currie Investment Management are wholly-owned subsidiaries of Martin Currie Ltd., which in turn is a wholly-owned subsidiary of Martin Currie (Holdings) Limited.

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2011, 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.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME

Particulars of the Share Option Scheme are set out in Note 35 to the financial statements.

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

Grantee	Date of grant	Exercise price (HK\$)	Exercisable period (Note 2)	Outstanding at 31/3/10	Granted during the Year (Note 3)	Exercised during the Year (Note 4)	Outstanding at 31/3/11
<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
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	–	–	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	–	26,000,000	–	26,000,000
Mr. Ding	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	–	–	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	–	–	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	–	26,000,000	–	26,000,000
Ms. Wong	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	–	(16,000,000)	–
	1/2/2011	0.410	1/2/2014 – 31/1/2021	–	13,000,000	–	13,000,000
Mr. Kee	1/2/2011	0.410	1/2/2014 – 31/1/2021	–	1,500,000	–	1,500,000
Mr. Xie	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	–	–	16,000,000
Mr. Ma	1/2/2011	0.410	1/2/2014 – 31/1/2021	–	1,500,000	–	1,500,000
Mr. Shiraki	1/2/2011	0.410	1/2/2014 – 31/1/2021	–	1,500,000	–	1,500,000
Mr. Cheng	23/5/2008	0.692	23/5/2011 – 22/5/2018	1,600,000	–	–	1,600,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	–	2,600,000	–	2,600,000
<b>Eligible employees</b> (in aggregate)	17/8/2007	1.014	17/8/2010 – 16/8/2017	17,300,000	–	–	17,300,000
	23/5/2008	0.692	23/5/2011 – 22/5/2018	3,500,000	–	–	3,500,000
	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
	13/10/2009	0.500	13/10/2012 – 12/10/2019	250,000	–	–	250,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	–	13,050,000	–	13,050,000
				190,850,000	85,150,000	(16,000,000)	260,000,000

### Notes:

- No share options were lapsed or cancelled during the Year;
- The vesting period of the share options is from the date of grant until the commencement of the exercisable period;
- The closing price of the Share immediately before the date of grant was HK\$0.410; and
- The weighted average closing price of the Shares immediately before the date on which the options were exercised in the Year was HK\$0.410 (31 March 2010: N/A).

## **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 31 March 2011:

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 China (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 Year.

## **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 Year.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Throughout the Year, 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.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of more than 25% of the Shares in the market as required under the Listing Rules.

# DIRECTORS' REPORT

## AUDITOR

Deloitte Touche Tohmatsu ("DTT") retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of DTT as auditor of the Company is to be proposed at such meeting.

On behalf of the Board

**Ding Chung Keung, Vincent**  
*Chief Executive Officer*

Hong Kong  
15 June 2011

**Deloitte.**

**德勤**

**TO THE MEMBERS OF GOLDBOND GROUP HOLDINGS LIMITED**

金榜集團控股有限公司

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Goldbond Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 94, which comprise the consolidated and the Company's statements of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

15 June 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Revenue	5	286,772	306,097
Other income		12,190	13,725
Change in fair value of derivative component of convertible note		–	1,209
Staff costs	8	(56,862)	(65,159)
Other operating expenses		(83,736)	(78,222)
Direct finance costs	6	(18,606)	(8,077)
Other finance costs	7	(8,671)	(12,587)
Share of profits of an associate	15	75	9,165
Profit before taxation	8	131,162	166,151
Taxation	10	(39,752)	(32,313)
Profit for the year		91,410	133,838
Other comprehensive income			
Exchange differences arising on translation		79,425	–
Total comprehensive income for the year		170,835	133,838
Profit for the year attributable to:			
Owners of the Company		64,661	118,602
Non-controlling interests		26,749	15,236
		91,410	133,838
Total comprehensive income attributable to:			
Owners of the Company		137,072	118,602
Non-controlling interests		33,763	15,236
		170,835	133,838
Earnings per share	12		
– Basic		2.35 cents	4.38 cents
– Diluted		2.34 cents	4.35 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>			
Equipment	13	6,751	7,162
Interest in an associate	15	59,295	55,890
Goodwill	16	103,686	103,686
Intangible assets	17	1,315	1,665
Finance leases receivable	19	309,786	114,882
Club debentures	20	17,529	16,545
		<b>498,362</b>	299,830
<b>Current assets</b>			
Properties held for sale	21	9,536	9,000
Amount due from an associate	15	12,417	–
Loans receivable	18	62,146	161,220
Accounts receivable and advances provided to customers	22	1,163,463	928,201
Finance leases receivable	19	174,390	55,424
Prepayments and deposits		8,950	8,111
Security deposits	23	200,947	172,849
Short term bank deposits	24		
– with original maturity within three months		164,799	172,638
– with original maturity more than three months		122,050	81,356
Bank balances and cash	24	156,386	198,559
		<b>2,075,084</b>	1,787,358
<b>Current liabilities</b>			
Amount due to an associate	15	–	3,046
Other payables and accrued charges		128,278	36,702
Deposits from loan guarantee customers		193,440	133,017
Deposits from finance lease customers	19	1,666	–
Deferred income	25	35,146	29,027
Taxation		42,946	25,876
Bank borrowings – amount due within one year	26	248,016	52,809
Liabilities arising from loan guarantee contracts	27	8,797	10,180
		<b>658,289</b>	290,657
Net current assets		<b>1,416,795</b>	1,496,701
Total assets less current liabilities		<b>1,915,157</b>	1,796,531



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
<b>Capital and reserves</b>			
Share capital	28	276,056	274,456
Reserves		1,184,415	1,090,838
Equity attributable to owners of the Company		1,460,471	1,365,294
Non-controlling interests		154,054	121,482
Total equity		1,614,525	1,486,776
<b>Non-current liabilities</b>			
Deposits from finance lease customers	19	17,881	7,780
Deferred income	25	12,842	21,274
Bank borrowings – amount due after one year	26	254,625	261,798
Redeemable convertible preference shares	31	2,400	2,087
Deferred taxation	32	12,884	16,816
		300,632	309,755
		1,915,157	1,796,531

The consolidated financial statements on pages 30 to 94 were approved and authorised for issue by the Board of Directors on 15 June 2011 and are signed on its behalf by:

**Wong Yu Lung, Charles**  
Director

**Ding Chung Keung, Vincent**  
Director

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>			
Equipment	13	826	1,641
Interest in subsidiaries	14	15,752	15,752
Club debentures	20	17,529	16,545
		<b>34,107</b>	33,938
<b>Current assets</b>			
Amounts due from subsidiaries	14	859,674	608,724
Advances to a subsidiary	14	–	131,744
Other receivables and prepayments		649	233
Short term bank deposits	24		
– with original maturity within three months		164,799	172,638
– with original maturity more than three months		122,050	81,356
Bank balances and cash	24	626	5,027
		<b>1,147,798</b>	999,722
<b>Current liabilities</b>			
Other payables and accrued charges		1,149	1,194
Net current assets		<b>1,146,649</b>	998,528
Total assets less current liabilities		<b>1,180,756</b>	1,032,466
<b>Capital and reserves</b>			
Share capital	28	276,056	274,456
Reserves	29	902,300	755,923
<b>Total equity</b>		<b>1,178,356</b>	1,030,379
<b>Non-current liability</b>			
Redeemable convertible preference shares	31	2,400	2,087
		<b>1,180,756</b>	1,032,466

Wong Yu Lung, Charles  
Director

Ding Chung Keung, Vincent  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to owners of the Company									Attributed to non-controlling interests HK\$'000	Total HK\$'000
	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		
At 1 April 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 year and total comprehensive income for the year	-	-	-	-	-	-	-	118,602	118,602	15,236	133,838
Sub-total	266,956	480,520	3,000	22,237	6,000	6,622	43,722	553,049	1,382,106	119,234	1,501,340
Dividends recognised as distribution (Note 11)	-	-	-	-	-	-	-	(106,783)	(106,783)	-	(106,783)
Issue of shares upon conversion of convertible note	7,500	67,310	-	-	-	-	-	-	74,810	-	74,810
Expenses incurred in connection with issue of shares	-	(30)	-	-	-	-	-	-	(30)	-	(30)
Lapse of share options	-	-	-	(649)	-	-	-	649	-	-	-
Recognition of equity-settled share-based payments	-	-	-	15,191	-	-	-	-	15,191	-	15,191
Transferred to statutory surplus reserve	-	-	-	-	-	4,263	-	(4,263)	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,248	2,248
At 31 March 2010	274,456	547,800	3,000	36,779	6,000	10,885	43,722	442,652	1,365,294	121,482	1,486,776
Exchange differences arising on translation	-	-	-	-	-	-	72,411	-	72,411	7,014	79,425
Profit for the year	-	-	-	-	-	-	-	64,661	64,661	26,749	91,410
Total comprehensive income for the year	-	-	-	-	-	-	72,411	64,661	137,072	33,763	170,835
Sub-total	274,456	547,800	3,000	36,779	6,000	10,885	116,133	507,313	1,502,366	155,245	1,657,611
Dividends recognised as distribution (Note 11)	-	-	-	-	-	-	-	(54,891)	(54,891)	-	(54,891)
Issue of shares upon exercise of share options	1,600	2,496	-	-	-	-	-	-	4,096	-	4,096
Exercise of share options	-	2,292	-	(2,292)	-	-	-	-	-	-	-
Expenses incurred in connection with issue of shares	-	(7)	-	-	-	-	-	-	(7)	-	(7)
Recognition of equity-settled share-based payments	-	-	-	8,907	-	-	-	-	8,907	-	8,907
Transferred to statutory surplus reserve	-	-	-	-	-	1,998	-	(1,998)	-	-	-
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	-	(1,191)	(1,191)
At 31 March 2011	276,056	552,581	3,000	43,394	6,000	12,883	116,133	450,424	1,460,471	154,054	1,614,525

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK\$'000	2010 HK\$'000
<b>Operating activities</b>		
Profit before taxation	131,162	166,151
Adjustments for:		
Depreciation of equipment	3,983	4,545
Amortisation of intangible assets	442	425
Allowance for bad and doubtful debts, net	11,683	13,744
Equity-settled share-based payment expenses	8,907	15,191
Finance costs	27,277	20,664
Loss on disposal of equipment	26	6
Change in fair value of derivative component of convertible note	–	(1,209)
Interest income	(4,218)	(3,220)
Share of profits of an associate	(75)	(9,165)
Effect of foreign exchange rate changes	16,720	–
<b>Operating cash flows before movements in working capital</b>	<b>195,907</b>	<b>207,132</b>
Increase in amount due from an associate	(11,718)	–
Decrease in loans receivable	103,859	6,769
Increase in accounts receivable and advances provided to customers	(194,909)	(249,847)
Increase in finance leases receivable	(293,993)	(151,828)
(Increase) decrease in prepayments and deposits	(493)	1,422
Increase in security deposits	(18,313)	(67,547)
Increase (decrease) in other payables and accrued charges	87,358	(14,913)
Increase in deposits from loan guarantee customers	51,236	40,337
(Decrease) increase in deferred income	(5,314)	13,454
(Decrease) increase in liabilities arising from loan guarantee contracts	(1,949)	3,270
Increase in deposits from finance lease customers	10,284	2,535
Cash used in operations	(78,045)	(209,216)
Enterprise Income Tax paid in China	(29,473)	(24,293)
<b>Net cash used in operating activities</b>	<b>(107,518)</b>	<b>(233,509)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

Notes	2011 HK\$'000	2010 HK\$'000
<b>Investing activities</b>		
(Increase) decrease in short term bank deposits with original maturity more than three months	(45,537)	3,413
Purchase of equipment	(3,355)	(1,846)
Interest received	4,218	3,220
Proceeds from disposal of equipment	164	37
Decrease in consideration receivable from disposal of associates	–	20,437
Deposit released	–	11,415
<b>Net cash (used in) from investing activities</b>	<b>(44,510)</b>	<b>36,676</b>
<b>Financing activities</b>		
New loans raised	261,218	400,697
Proceeds from issue of shares	4,096	–
(Repayment to) advance from an associate	15 (3,046)	2,282
Repayment of bank loans	(97,990)	(208,562)
Dividends paid	11 (54,891)	(106,783)
Interest paid	(26,964)	(16,905)
Capital (repayment to) contribution from non-controlling interests	(1,191)	2,248
Expenses paid in connection with the issue of shares	(7)	(30)
<b>Net cash from financing activities</b>	<b>81,225</b>	<b>72,947</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(70,803)</b>	<b>(123,886)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>371,197</b>	<b>495,083</b>
<b>Effect of foreign exchange rate changes</b>	<b>20,791</b>	<b>–</b>
<b>Cash and cash equivalents at end of the year</b>	<b>321,185</b>	<b>371,197</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances and cash	156,386	198,559
Short term bank deposits with original maturity within three months	164,799	172,638
	<b>321,185</b>	<b>371,197</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company is a public limited company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the Annual Report.

The Company is an investment holding company. The principal activity of the Group is provision of financial services.

The consolidated financial statements are presented in Hong Kong dollar while the functional currency of the Company is Renminbi (“RMB”). The reason for selecting Hong Kong dollar as the presentation currency is because the Company is a public company with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The Group applies HKFRS 3 (Revised) “Business combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) “Consolidated and separate financial statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010. The application of HKFRS 3 (Revised) and HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior years.

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

The adoption of the new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets <sup>2</sup>
HKFRS 9	Financial instruments <sup>3</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>4</sup>
HKAS 24 (Revised)	Related party disclosures <sup>5</sup>
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement <sup>5</sup>
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2010.

HKFRS 9 (issued in November 2009 and as revised in November 2010) adds requirements for financial assets, financial liabilities and derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of HKFRS 9 in the Group’s consolidated financial statements for the financial year ending 31 March 2014 and the application of the other new and revised HKFRSs when effective (listed above) will have no material impact on the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. In the Company's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associates are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Financing service income mainly consists of interest income from financial assets and is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Financial leasing service income mainly consists of finance lease income and is recognised over the period of lease using the effective interest method (see accounting policy in respect of leasing below).

Loan guarantee service income consists of guarantee fee and related service income and is recognised in profit or loss on a straight line basis over the guarantee period.

Management fee income is recognised when the management service is rendered.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equipment

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Intangible assets

Intangible assets acquired separately with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

A gain or loss arising from the derecognition of an intangible asset is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period when the asset is derecognised.

### Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in term of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity which will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

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.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### Properties held for sale

Properties held for sale are stated at the lower of cost or net realisable value.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated financial statements when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### Financial assets

The Group's financial assets are classified into two categories: loans and receivables and available-for-sale financial assets.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable, finance leases receivable, accounts receivable and advances provided to customers, advances to a subsidiary, amounts due from subsidiaries, amount due from an associate, other receivables, security deposits, short term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment of financial assets below).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments. The Group designated club debentures as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans receivable, account receivable and advances provided to customers and finance leases receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Impairment of financial assets (continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans receivable, finance leases receivable and account receivables and advances provided to customers, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the revaluation reserve. For available-for-sale debt investments, impairment loss are subsequently reversed if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

#### *Financial liabilities*

The Group's financial liabilities include an amount due to an associate, other payables, deposits from loan guarantee customers, bank borrowings and deposits from finance lease customers. These are subsequently measured at amortised cost, using the effective interest method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial liabilities and equity (continued)*

##### *Convertible loan notes containing liability and conversion option derivative components*

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

##### *Convertible notes containing liability and equity components*

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible notes reserve until the embedded option is exercised (in which case the balance stated in the convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial liabilities and equity (continued)*

##### *Redeemable convertible preference shares*

Preference shares that are redeemable at the option of the holder are accounted for as described in the policy for convertible loan notes.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### *Loan guarantee contracts*

A loan guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A loan guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the loan guarantee contract. Subsequent to initial recognition, the Group measures the loan guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

##### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows where the effect is material.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Share-based payment transactions

##### *Equity-settled share-based payment transactions*

##### *Share options granted to employees*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in the employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained profits.

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **Estimated impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, the carrying amount of goodwill is HK\$103,686,000 (2010: HK\$103,686,000) (see Note 16 for details).

#### **Estimated impairment of loans receivable, finance leases receivable, accounts receivable and advances provided to customers**

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, the total carrying amount of loans receivable, finance leases receivable, accounts receivable and advances provided to customers are HK\$1,709,785,000 (2010: HK\$1,259,727,000) (see Note 22 for details of the allowance for bad and doubtful debts on accounts receivable and advances provided to customers).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Provision for loan guarantees

When determining the amounts to be recognised in respect of liabilities arising from the loan guarantee business, the management estimates the provision based on prior experience and default history of the business. As at 31 March 2011, liabilities arising from the loan guarantee business are HK\$8,797,000 (2010: HK\$10,180,000). Where the actual defaults on loan guarantees are higher than expected, a material loss may arise (see Note 27 for details of loan guarantee contracts).

### Income taxes

As at 31 March 2011, no deferred tax asset (2010: nil) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK\$184,902,000 (2010: HK\$175,151,000) due to the unpredictability of future profit streams (Note 32). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

## 5. REVENUE

Revenue represents income received and receivable from the provision of financing service, financial leasing service and loan guarantee service in China. It also represents the turnover of the Group.

	2011 HK\$'000	2010 HK\$'000
Financing service income	194,277	243,667
Financial leasing service income	35,223	11,101
Loan guarantee service income	57,272	51,329
	<b>286,772</b>	306,097

## 6. SEGMENT INFORMATION

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 6. SEGMENT INFORMATION (continued)

Information regarding these segments is presented below.

### Segment revenue and results

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

#### Year ended 31 March 2011

	Financing service HK\$'000	Financial leasing service HK\$'000 <i>(Note)</i>	Loan guarantee service HK\$'000	Consolidated HK\$'000
Revenue from external customers	194,277	35,223	57,272	286,772
Segment results	128,213	14,613	39,146	181,972
Investment income				4,218
Unallocated corporate income and expenses:				
– other administrative income and expenses				(31,845)
– net exchange loss				(14,587)
Other finance costs				(8,671)
Share of profits of an associate				75
Profit before taxation				131,162

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 6. SEGMENT INFORMATION (continued)

### Segment revenues and results (continued)

Year ended 31 March 2010

	Financing service HK\$'000 (Note)	Financial leasing service HK\$'000 (Note)	Loan guarantee service HK\$'000	Consolidated HK\$'000
Revenue from external customers	243,667	11,101	51,329	306,097
Segment results	175,736	3,514	16,643	195,893
Investment income				3,220
Change in fair value of derivative component of convertible note				1,209
Unallocated corporate income and expenses:				
– other administrative income and expenses				(30,602)
– exchange loss				(147)
Other finance costs				(12,587)
Share of profits of an associate				9,165
Profit before taxation				166,151

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, other finance costs and share of profits of an associate. This is the measure reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Note: Included in segment results are direct finance costs of HK\$18,606,000 and nil (2010: HK\$4,911,000 and HK\$3,166,000) attributable to the financial leasing service and the financing service business respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 6. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

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

Year ended 31 March 2011

	Financing service HK\$'000	Financial leasing service HK\$'000	Loan guarantee service HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Assets</b>					
Segment assets	1,328,339	497,110	216,878	–	2,042,327
Interest in an associate					59,295
Unallocated assets					471,824
<b>Total assets</b>					<b>2,573,446</b>
<b>Liabilities</b>					
Segment liabilities	9,993	453,283	265,249	–	728,525
Unallocated liabilities					
– bank borrowings					119,048
– deferred taxation					12,884
– corporate liabilities					98,464
<b>Total liabilities</b>					<b>958,921</b>
Amounts included in the measure of segment profit or loss or segment assets:					
Expenditure for reportable segment non-current assets	415	544	2,371	25	3,355
Amortisation of intangible assets	442	–	–	–	442
Depreciation of equipment	438	95	2,583	867	3,983
Allowance for bad and doubtful debts, net	7,639	–	4,044	–	11,683

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 6. SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

Year ended 31 March 2010

	Financing service HK\$'000	Financial leasing service HK\$'000	Loan guarantee service HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Assets</b>					
Segment assets	1,151,172	204,255	195,833	–	1,551,260
Interest in an associate					55,890
Unallocated assets					<u>480,038</u>
<b>Total assets</b>					<u><b>2,087,188</b></u>
<b>Liabilities</b>					
Segment liabilities	37,114	197,838	208,321	–	443,273
Unallocated liabilities					
– bank borrowings					112,360
– deferred taxation					16,816
– corporate liabilities					<u>27,963</u>
<b>Total liabilities</b>					<u><b>600,412</b></u>
Amounts included in the measure of segment profit or loss or segment assets:					
Expenditure for reportable					
segment non-current assets	299	18	1,316	213	1,846
Amortisation of intangible assets	425	–	–	–	425
Depreciation of equipment	463	88	2,952	1,042	4,545
Allowance for bad and doubtful debts, net	3,380	–	10,364	–	<u>13,744</u>

For the purposes of monitoring segment performance and allocating resources between segments, the Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments other than the interest in an associate, properties held for sale, club debentures, short term bank deposits, bank balances and cash, and certain corporate assets for central administrative uses. All liabilities are allocated to reportable segments other than taxation payable, redeemable convertible preference shares and certain corporate liabilities incurred for central administrative purpose.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 6. SEGMENT INFORMATION (continued)

### Geographical information

Revenue from external customers reported above represents income generated from customers in China.

As at 31 March 2011, approximately HK\$170,221,000 (2010: HK\$166,762,000) of non-current assets other than financial instruments and deferred tax assets were located in China. The remaining non-current assets other than financial instruments and deferred tax assets of approximately HK\$825,000 (2010: HK\$1,641,000) were located in Hong Kong.

### Information about major customers

The Group's revenue from external customers which accounted for 10% or more of its total revenue are as follows:

	2011 HK\$'000	2010 HK\$'000
Customer A in the financing service segment	12,091	34,401
Customer B in the financing service segment	–	38,000
	12,091	72,401

## 7. OTHER FINANCE COSTS

	2011 HK\$'000	2010 HK\$'000
Interest on borrowings wholly repayable within five years	8,358	8,828
Interest on convertible notes	–	3,487
Interest on redeemable convertible preference shares	313	272
	8,671	12,587



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 8. PROFIT BEFORE TAXATION

	2011 HK\$'000	2010 HK\$'000
Profit before taxation has been arrived at after charging:		
Salaries, allowances and other staff benefits	45,918	47,630
Staff's retirement benefits scheme contributions	2,037	2,338
Equity-settled share based payment expenses	8,907	15,191
<b>Total staff costs (including directors' remuneration)</b>	<b>56,862</b>	65,159
Allowance for bad and doubtful debts, net	11,683	13,744
Amortisation of intangible assets (included in other operating expenses)	442	425
Auditor's remuneration	2,577	2,687
Depreciation of equipment	3,983	4,545
Loss on disposal of equipment	26	6
Operating lease rentals in respect of properties	11,019	11,246
Net exchange loss	14,587	–
and after crediting:		
Net exchange gain	–	1,019
Government subsidies (included in other income)	7,811	4,918
Interest income (included in other income)	4,218	3,220
Waiver of debts of long outstanding other payables	–	3,555
Management fee income received from an associate	2,573	13,911

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 9. DIRECTORS' AND EMPLOYEES' REMUNERATION

The remuneration of each director for the year ended 31 March 2011 is set out below:

	Directors' fees	Salaries, allowances and benefits	Retirement benefit scheme contributions	Discretionary bonus	Share-based payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Executive directors</u>						
Mr. Wang Jun	-	1,440	-	1,000	1,201	3,641
Mr. Wong Yu Lung, Charles	-	1,440	12	120	3,064	4,636
Mr. Ding Chung Keung, Vincent	-	1,800	12	2,500	3,064	7,376
Mr. Kee Wah Sze	-	960	12	-	10	982
Mr. Xie Xiao Qing	-	1,431	24	-	-	1,455
Ms. Wong, Michelle Yatye	-	720	12	800	86	1,618
<u>Independent non-executive directors</u>						
Mr. Cheng Yuk Wo	120	-	-	-	215	335
Mr. Ma Ho Fai SBS JP	120	-	-	-	12	132
Mr. Melvin Jitsumi Shiraki	60	-	-	-	11	71
<b>Total</b>	<b>300</b>	<b>7,791</b>	<b>72</b>	<b>4,420</b>	<b>7,663</b>	<b>20,246</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

The remuneration of each director for the year ended 31 March 2010 is set out below:

	Directors' fees	Salaries, allowances and benefits	Retirement benefit scheme contributions	Discretionary bonus	Share-based payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Executive directors</u>						
Mr. Wang Jun	–	1,440	–	1,000	3,176	5,616
Mr. Wong Yu Lung, Charles	–	1,560	12	–	3,964	5,536
Mr. Ding Chung Keung, Vincent	–	1,800	12	2,500	3,964	8,276
Mr. Kee Wah Sze	–	960	12	–	–	972
Mr. Xie Xiao Qing	–	1,366	29	–	653	2,048
Ms. Wong, Michelle Yatyee	–	620	12	800	757	2,189
Mr. Lan Ning	–	400	5	–	–	405
<u>Independent non-executive directors</u>						
Mr. Cheng Yuk Wo	120	–	–	–	195	315
Mr. Ma Ho Fai SBS JP	120	–	–	–	–	120
Mr. Melvin Jitsumi Shiraki	60	–	–	–	–	60
<b>Total</b>	<b>300</b>	<b>8,146</b>	<b>82</b>	<b>4,300</b>	<b>12,709</b>	<b>25,537</b>

### Notes:

- (a) The discretionary bonus is determined with reference to the operating results and the individual's performance in both years.
- (b) No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

### Employees' emoluments:

The five highest paid individuals in the Group in both years were all directors of the Company and details of their emoluments are included above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 10. TAXATION

	2011 HK\$'000	2010 HK\$'000
The charge (credit) comprises:		
Current tax		
Enterprise Income Tax in China		
– Provision for the current year	40,977	31,174
– Underprovision in prior year	3,598	–
	44,575	31,174
Deferred taxation (Note 32)	(4,823)	1,139
	39,752	32,313

Under the Enterprise Income Tax Law of China (the “EIT Law”) and the Implementation Regulation of the EIT Law, all subsidiaries in China are subject to the tax rate of 25% from 1 January 2008 onwards.

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 HK\$'000	2010 HK\$'000
Profit before taxation	131,162	166,151
Tax at the domestic income tax rate in China of 25% (2010: 25%)	32,791	41,538
Tax effect of income not taxable for tax purposes	(10,941)	(11,187)
Tax effect of expenses not deductible for tax purposes	9,932	5,631
Tax effect of tax losses not recognised	4,383	5,305
Tax effect of utilisation of tax losses	(3,747)	(1,064)
Effect from tax rates of different jurisdictions	3,913	(6,753)
Effect of income tax on concessionary rates for certain subsidiaries	(289)	(1,683)
Underprovision in prior year	3,598	–
Others	112	526
Taxation charge for the year	39,752	32,313

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 11. DIVIDEND

	2011 HK\$'000	2010 HK\$'000
Dividends recognised as distribution and paid during the year:		
Final dividends of HK2 cents per share in respect of the year ended 31 March 2010 (2010: In respect of the year ended 31 March 2009 of HK4 cents per share)	<b>54,891</b>	106,783

Subsequent to the end of the reporting period, a final dividend of HK2 cents (2010: HK2 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company.

## 12. EARNINGS PER SHARE

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

	2011 HK\$'000	2010 HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<b>64,661</b>	118,602
Number of shares:	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,746,798</b>	2,705,111
Effect of dilutive potential ordinary shares:		
Share options	<b>15,770</b>	19,892
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,762,568</b>	2,725,003

The calculation of diluted earnings per share for the year ended 31 March 2010 did not include the effect of the conversion of the convertible notes since the assumed conversion of the Company's outstanding convertible notes would result in an increase in earnings per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 13. EQUIPMENT

	Furniture, fixtures and other fixed assets	
	2011	2010
	HK\$'000	HK\$'000
<b>THE GROUP</b>		
<b>COST</b>		
At 1 April	19,227	17,900
Exchange adjustments	1,257	–
Additions	3,355	1,846
Disposals	(1,467)	(519)
At 31 March	22,372	19,227
<b>ACCUMULATED DEPRECIATION</b>		
At 1 April	12,065	7,996
Exchange adjustments	850	–
Charge for the year	3,983	4,545
Eliminated on disposals	(1,277)	(476)
At 31 March	15,621	12,065
<b>NET CARRYING VALUES</b>		
At 31 March	6,751	7,162
<b>THE COMPANY</b>		
<b>COST</b>		
At 1 April	3,683	3,470
Exchange adjustments	220	–
Additions	25	213
Disposal	(1)	–
At 31 March	3,927	3,683
<b>ACCUMULATED DEPRECIATION</b>		
At 1 April	2,042	1,046
Exchange adjustments	155	–
Charge for the year	905	996
Eliminated on disposal	(1)	–
At 31 March	3,101	2,042
<b>NET CARRYING VALUES</b>		
At 31 March	826	1,641

The above items of equipment are depreciated on a straight line basis at the rates of 20% to 33 $\frac{1}{3}$ % per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 14. INTEREST IN SUBSIDIARIES/ADVANCES TO A SUBSIDIARY/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	197,075	197,075
Deemed capital contributions	15,752	19,261
	212,827	216,336
Impairment losses recognised	(197,075)	(200,584)
	15,752	15,752
Advances to a subsidiary	–	131,744
Amounts due from subsidiaries	859,674	608,724
	859,674	740,468

Particulars of the principal subsidiaries as at 31 March 2011 and 31 March 2010 are set out in Note 40.

Impairment loss of HK\$197,075,000 (2010: HK\$197,075,000) and nil (2010: HK\$3,509,000) was made for the cost of the unlisted shares and the deemed capital contribution respectively since the relevant subsidiaries were inactive and the cost of the unlisted shares was considered as non-recoverable.

During the year, a relevant subsidiary was deregistered and the respective deemed capital contribution of HK\$3,509,000 had been written off.

The advances to a subsidiary were denominated in Hong Kong dollar and unsecured. As at 31 March 2010, these advances included an amount of HK\$13,325,000 bearing interest at 35% per annum, while the remaining advances were all interest free and repayable on demand. During the year, these advances to a subsidiary had been fully settled.

The amounts due from subsidiaries are denominated in Hong Kong dollar, unsecured, interest free and repayable within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 15. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE/AMOUNT DUE TO AN ASSOCIATE

	THE GROUP	
	2011 HK\$'000	2010 HK\$'000
Cost of investment in an associate, unlisted	59,524	56,180
Share of post acquisition loss, net of dividends received	(229)	(290)
	<b>59,295</b>	55,890

Particulars of the associate as at 31 March 2011 and 2010 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 Group		Principal activity
			2011	2010	2011	2010	2011	2010	
			武漢融眾高成長投資中心*	Limited partnership	China	RMB103,000,000	RMB114,900,000	34.46%	

\* The associate is held by a 71% owned subsidiary of the Company and has a financial year end of 31 December. According to the relevant Income Tax Laws and Guidance in China, this associate is not subject to Enterprise Income Tax in China, which should be borne by the partners of this associate based on income then derived. The Group is able to exercise significant influence over the associate because it has 48.54% of the voting power in the partnership.

Strategic partners redeemed their capital from the associate throughout the year in various phases. The Group's interest in the associate was increased from 43.52% to 48.54% during the year (2010: from 27.34% to 43.52%).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 15. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE/AMOUNT DUE TO AN ASSOCIATE (continued)

### Summarised financial information of the associate

The summarised financial information of the associate as extracted from the management accounts is set out below:

	2011 HK\$'000	2010 HK\$'000
Total assets	158,281	150,294
Total liabilities	(36,226)	(21,860)
Net assets attributable to the owners of an associate	122,055	128,434
Group's share of net assets of an associate	59,295	55,890
Revenue	2,920	43,399
Profit for the year	137	31,583
Group's share of results of an associate for the year	75	9,165

As at 31 March 2011, the amount due from the associate was HK\$12,417,000 which was unsecured, interest free and repayable on demand.

In the prior year, the associate declared a dividend of which the Group's entitlement was HK\$16,424,000. The dividend was set off against the amount due to the associate. As at 31 March 2010, the amount due to the associate was HK\$3,046,000 which was unsecured, interest free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 16. GOODWILL

HK\$'000

### THE GROUP

At 1 April 2009, at 31 March 2010 and at 31 March 2011

103,686

The goodwill arose from acquisition of additional interest in a subsidiary, Rongzhong Group Limited ("Rongzhong"), in 2007 and has been allocated to Rongzhong, a cash generating unit ("CGU") in financial services, for impairment testing purposes.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to service charges and direct costs during the year. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in service charges and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed an impairment review for goodwill based on cash flow forecasts derived from the respective most recent financial budget for the next five years approved by management using a discount rate of 6.66% (2010: 6.28%) which reflects the current market assessments of the time value of money and the risks specific to the CGU. The growth rate per annum is approximately 5% (2010: 10%) in light of the Group's industry growth forecast. This growth rate does not exceed the average long-term growth rate for the relevant industry. No impairment loss was considered necessary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 17. INTANGIBLE ASSETS

	<b>Pawn shop licences HK\$'000</b>
<hr/>	
<b>THE GROUP</b>	
<b>COST</b>	
At 1 April 2009 and at 31 March 2010	2,809
Exchange adjustments	167
<hr/>	
<b>At 31 March 2011</b>	<b>2,976</b>
<hr/>	
<b>AMORTISATION</b>	
At 1 April 2009	719
Charge for the year	425
<hr/>	
At 31 March 2010	1,144
Exchange adjustments	75
Charge for the year	442
<hr/>	
<b>At 31 March 2011</b>	<b>1,661</b>
<hr/>	
<b>NET CARRYING VALUES</b>	
<b>At 31 March 2011</b>	<b>1,315</b>
<hr/>	
At 31 March 2010	1,665
<hr/>	

Intangible assets included pawn shop licences which have finite useful lives and the costs are amortised on a straight line basis over their estimated useful lives of six to seven years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 18. LOANS RECEIVABLE

On 6 September 2007, Famous Apex Limited (“Famous Apex”), a wholly owned subsidiary of the Company, entered into loan agreements to provide financing to 珠海市保利三好有限公司 (“Poly Sanhao”) and Grand Ocean Investment Company Limited (“Grand Ocean”) (formerly known as Worldpro International Investment Limited) for financing the development of properties in China. Poly Sanhao and Grand Ocean are independent third parties of the Group.

The loan to Poly Sanhao is secured by the following:

- (a) a mortgage of 85% equity interest in 珠海市中廣置業有限公司 as owned by Poly Sanhao;
- (b) a mortgage of the 51% equity interest in Poly Sanhao owned by Grand Ocean; and
- (c) Mr. Wu Deming’s (“Mr. Wu”) personal guarantee in favour of Famous Apex.

The loan to Grand Ocean 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 Grand Ocean;
- (b) a mortgage of the entire issued share capital of Grand Ocean and assignment and subordination of all loans owing by Grand Ocean to the beneficial owner of the entire equity interest in Grand Ocean (“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.

During the year, an aggregate amount of approximately RMB101,773,000 had been received in settlement of the loans receivable and the associated interest.

As at 31 March 2011, the loans were neither past due nor impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 19. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

The Group provides financial leasing service in China.

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Finance leases receivable comprise:				
Within one year	219,536	72,530	174,390	55,424
In more than one year but not more than five years	338,896	128,920	309,786	114,882
	558,432	201,450	484,176	170,306
Less: Unearned finance income	(74,256)	(31,144)		
Present value of minimum lease payment	484,176	170,306		
Analysed for reporting purposes as:				
Current assets			174,390	55,424
Non-current assets			309,786	114,882
			484,176	170,306

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

The effective interest rates of the above finance leases are from 10.9% to 36.3% (2010: 11.3% to 36.3%) per annum.

Finance leases receivable are secured over the equipment leased and deposits of approximately HK\$19,547,000 (2010: HK\$7,780,000) placed by the customers which are repayable upon the end of the lease period. No contingent rent arrangements were made for both years.

## 20. CLUB DEBENTURES

The club debentures are classified as available-for-sale financial assets. The fair values of the club debentures were determined by reference to recent market prices for similar debentures.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 21. PROPERTIES HELD FOR SALE

	THE GROUP	
	2011	2010
	HK\$'000	HK\$'000
Properties held for sale	9,536	9,000

The properties held for sale comprise properties located in Wuhan, China. It is not the Group's intention to hold these properties in the long term for capital appreciation or rental income.

## 22. ACCOUNTS RECEIVABLE AND ADVANCES PROVIDED TO CUSTOMERS

	THE GROUP	
	2011	2010
	HK\$'000	HK\$'000
Accounts receivable (Note a)	170,864	204,878
Advances provided to customers (Note b)	1,034,654	762,240
	1,205,518	967,118
Less: Allowance for bad and doubtful debts		
– accounts receivable	(20,984)	(15,852)
– advances provided to customers	(21,071)	(23,065)
	1,163,463	928,201

### Notes:

- (a) Accounts receivable mainly include management fees receivable and interest income receivable. Management fees receivable will be settled according to contract terms. Interest income receivable will be settled together with the loan principal when the loans are matured.
- (b) The advances provided to customers bear fixed coupon interest at a rate of not more than 5.6% (2010: 4.8%) per annum and are repayable according to the loan agreements which usually cover periods of two weeks to six months. Included in the balances are loans receivable from pawnshop customers and entrusted loans through banks of approximately HK\$1,013,583,000 (2010: HK\$695,365,000) secured by pawned assets and assets placed by customers such as properties and equity interests in certain private entities in China. The Group is not permitted to sell or re-pledge the collateral in the absence of default by customers.

The balance as at 31 March 2010 also included advances to employees of approximately HK\$43,810,000 secured by the entire equity interest in a company owned by the employees. This company was incorporated and engaged in mining business in China. These advances to employees bore fixed interest rate at 6% per annum and had been fully settled during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 22. ACCOUNTS RECEIVABLE AND ADVANCES PROVIDED TO CUSTOMERS (continued)

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

	THE GROUP	
	2011 HK\$'000	2010 HK\$'000
Within one month	269,718	341,327
More than one month but less than three months	214,092	104,577
More than three months but less than six months	256,196	121,119
More than six months	423,457	361,178
	<b>1,163,463</b>	928,201

The Group has set up a credit team in each location responsible for the evaluation of customers' credit rating to ensure that all customers have healthy financial background and adequate repayment abilities. Management has set up the credit limits which are subject to the discretionary power of the general managers of each location. Any further extension of credit beyond these approved limits has to be first approved by senior management and then by the directors of Rongzhong. The credit teams are also required to take follow-up action where customers have defaulted on the repayment of loans to banks and on the repayment of advances from the Group. Management considers the receivable that is neither past due nor impaired to be of good credit quality.

The following is a credit quality analysis of accounts receivable and advances provided to customers:

	THE GROUP	
	2011 HK\$'000	2010 HK\$'000
Neither past due nor impaired	664,910	700,299
Past due but not impaired	498,553	227,902
Impaired	42,055	38,917
Subtotal	<b>1,205,518</b>	967,118
Less: Allowance for bad and doubtful debts	<b>(42,055)</b>	(38,917)
Accounts receivable and advances provided to customers	<b>1,163,463</b>	928,201

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 22. ACCOUNTS RECEIVABLE AND ADVANCES PROVIDED TO CUSTOMERS (continued)

The following is an ageing analysis of accounts receivable and advances provided to customers which are past due but not impaired:

	THE GROUP	
	2011	2010
	HK\$'000	HK\$'000
Less than one month	10,725	2,014
More than one month but less than three months	228,201	2,213
More than three months but less than six months	44,090	565
More than six months	215,537	223,110
	<b>498,553</b>	227,902

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 March 2011, an aggregate carrying amount of HK\$498,553,000 (2010: HK\$227,902,000) were past due but the Group has not provided for impairment loss as these customers are considered to be of good quality. Included in the balances are amounts with an aggregate carrying amount of HK\$497,892,000 (2010: HK\$226,718,000) secured by assets pledged by customers.

### Movement in the allowance for bad and doubtful debts

	THE GROUP	
	2011	2010
	HK\$'000	HK\$'000
Balance at beginning of the year	38,917	30,491
Currency realignment	2,461	–
Impairment losses recognised	16,743	18,196
Impairment losses reversed	(5,060)	(4,452)
Amounts written off as uncollectible	(11,006)	(5,318)
Balance at end of the year	<b>42,055</b>	38,917

## 23. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the financial service business in China. The security deposits carry interest at prevailing market rates of 0.40% (2010: 0.36%) per annum.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 24. SHORT TERM BANK DEPOSITS/BANK BALANCES AND CASH

All bank deposits of the Group and the Company carry interest at prevailing market rates ranging from 0.001% to 1.42% and 0.001% to 1.42% (2010: 0.001% to 0.65% and 0.001% to 0.65%) per annum respectively.

Included in short term bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the group entities:

	Currency	THE GROUP		THE COMPANY	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	HKD	146,755	36,929	145,903	36,594
United States dollar	USD	82,212	222,484	82,153	222,426

## 25. DEFERRED INCOME

	THE GROUP	
	2011 HK\$'000	2010 HK\$'000
<b>Current</b>		
Financial leasing business	53	–
Loan guarantee business	35,093	29,027
	35,146	29,027
<b>Non-current</b>		
Financial leasing business	2,489	586
Loan guarantee business	10,353	20,688
	12,842	21,274
<b>Total</b>		
Financial leasing business	2,542	586
Loan guarantee business	45,446	49,715
	47,988	50,301

Deferred income represents income received under the financial leasing and the loan guarantee businesses. Deferred income from the financial leasing business is amortised and recognised as revenue using effective interest method over the lease period. Deferred income from the loan guarantee business is amortised and recognised as revenue on a straight line basis over the guarantee period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 26. BANK BORROWINGS

	2011 HK\$'000	2010 HK\$'000
Bank loans	502,641	314,607
Secured	367,709	224,719
Unsecured	134,932	89,888
	502,641	314,607
Carrying amount repayable:		
Within one year	248,016	52,809
More than one year, but not exceeding two years	144,487	203,933
More than two years, but not exceeding five years	110,138	57,865
	502,641	314,607
Less: Amounts due within one year shown under current liabilities	(248,016)	(52,809)
	254,625	261,798

As at 31 March 2011, all the Group's bank borrowings are variable-rate borrowings which carry annual interest at the range of the rate offered by the People's Bank of China ("PBOC") to 120% of the rate offered by the PBOC. As at 31 March 2010, the Group's bank borrowings of HK\$292,135,000 were variable-rate borrowings which carried annual interest at the range of the rate offered by the PBOC to 120% of the rate offered by the PBOC and the remaining balance of HK\$22,472,000 was fixed-rate borrowing which carried annual interest at 9%.

The Group's banking facilities are granted by several banks in China and are secured by the following items:

- (a) A bank loan of RMB100,000,000 equivalent to approximately HK\$119,048,000 (2010: RMB100,000,000 equivalent to approximately HK\$112,360,000) is secured by charges over the Group's and the non-controlling interests in Rongzhong Capital Investments Group Limited ("Rongzhong Capital Investments"), a non-wholly owned subsidiary of the Company. The Company, Rongzhong Capital Investments 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 31 March 2011. The guarantee provided by the Company was in proportion to its equity interest in the borrower.
- (b) Bank loans of RMB208,876,000 equivalent to approximately HK\$248,661,000 (2010: RMB80,000,000 equivalent to approximately HK\$89,888,000) are secured by charges over certain finance leases receivable of the Group with an aggregate carrying value of approximately HK\$252,555,000 (2010: HK\$90,186,000).
- (c) As at 31 March 2010, a bank loan of RMB20,000,000 equivalent to approximately HK\$22,472,000 was secured by shareholdings of a subsidiary of the Group.

The Group's bank borrowings are denominated in RMB which is the functional currency of the relevant group entities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 27. LIABILITIES ARISING FROM LOAN GUARANTEE CONTRACTS

Liabilities arising from loan guarantee contracts represent the management's best estimate of the Group's liability based on prior experience and default history of the loan guarantee business. For the amount of outstanding loan guarantee contracts, please refer to Note 37.

## 28. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2009, 31 March 2010 and 31 March 2011	25,000,000	2,500,000
Issued and fully paid:		
At 1 April 2009	2,669,563	266,956
Issue of shares upon conversion of convertible note ( <i>Note a</i> )	75,000	7,500
At 31 March 2010	2,744,563	274,456
Issue of shares upon exercise of share options ( <i>Note b</i> )	16,000	1,600
<b>At 31 March 2011</b>	<b>2,760,563</b>	<b>276,056</b>

### Notes:

- (a) In the prior year, convertible note with a nominal value of HK\$81,000,000 was converted into 75,000,000 ordinary shares at a conversion price of HK\$1.08 per ordinary share.
- (b) During the year, 16,000,000 share options were exercised at a subscription price of HK\$0.256 per share, resulting in the issue of 16,000,000 ordinary shares of HK\$0.10 each in the Company.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 29. RESERVES

	Share premium HK\$'000	Revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>							
At 1 April 2009	480,520	3,000	22,237	6,000	35,184	133,347	680,288
Profit for the year and total comprehensive income for the year	–	–	–	–	–	99,947	99,947
Sub-total	480,520	3,000	22,237	6,000	35,184	233,294	780,235
Dividends recognised as distribution	–	–	–	–	–	(106,783)	(106,783)
Issue of shares upon conversion of convertible note	67,310	–	–	–	–	–	67,310
Expenses incurred in connection with issue of shares	(30)	–	–	–	–	–	(30)
Lapse of share options	–	–	(649)	–	–	649	–
Recognition of equity- settled share-based payments	–	–	15,191	–	–	–	15,191
At 31 March 2010	547,800	3,000	36,779	6,000	35,184	127,160	755,923
Exchange differences arising on translation	–	–	–	–	55,574	–	55,574
Profit for the year	–	–	–	–	–	134,298	134,298
Total comprehensive income for the year	–	–	–	–	55,574	134,298	189,872
Sub-total	547,800	3,000	36,779	6,000	90,758	261,458	945,795
Dividends recognised as distribution	–	–	–	–	–	(54,891)	(54,891)
Issue of shares upon exercise of share options	2,496	–	–	–	–	–	2,496
Exercise of share options	2,292	–	(2,292)	–	–	–	–
Expenses incurred in connection with issue of shares	(7)	–	–	–	–	–	(7)
Recognition of equity- settled share-based payments	–	–	8,907	–	–	–	8,907
At 31 March 2011	552,581	3,000	43,394	6,000	90,758	206,567	902,300

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 30. CONVERTIBLE NOTES

On 2 October 2007, the Company issued a zero coupon convertible note ("Convertible Note") with a 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 (as detailed in Note 16). This Convertible Note had been fully converted into 125,000,000 ordinary shares of the Company at a conversion price of HK\$1.08 per ordinary share in prior years before the maturity date.

Before conversion, the Convertible Note contained two components, a liability component and a conversion option derivative. The effective interest rate of the liability component was 9.19% per annum. The conversion option derivative was measured at fair value with changes in fair value recognised in profit or loss.

### THE GROUP AND THE COMPANY

The movement of the liability component and the conversion option derivative of the Convertible Note was set out as below:

	<b>Liability component</b>	<b>Conversion option derivative</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009	70,568	1,964	72,532
Interest charge	3,487	–	3,487
Gain arising on changes of fair value	–	(1,209)	(1,209)
Conversion during the year	(74,055)	(755)	(74,810)
<b>At 31 March 2010 and at 31 March 2011</b>	<b>–</b>	<b>–</b>	<b>–</b>

## 31. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

### THE GROUP AND THE COMPANY

As at 31 March 2011, 68,400,000 preference shares were in issue (2010: 68,400,000 preference shares).

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 32. DEFERRED TAXATION

### THE GROUP

The followings are the major deferred taxation liabilities recognised by the Group and movements thereon during the current and prior years:

	<b>Tax allowance for liabilities from loan guarantee contracts over accounting allowance</b> HK\$'000	<b>Deferred income</b> HK\$'000	<b>Allowance for doubtful debts and bad debts written off</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2009	32,511	(9,212)	(7,622)	15,677
Debit (credit) to profit or loss ( <i>Note 10</i> )	6,463	(3,217)	(2,107)	1,139
At 31 March 2010	38,974	(12,429)	(9,729)	16,816
Currency realignment	2,230	(723)	(616)	891
Debit (credit) to profit or loss ( <i>Note 10</i> )	(6,445)	1,791	(169)	(4,823)
<b>At 31 March 2011</b>	<b>34,759</b>	<b>(11,361)</b>	<b>(10,514)</b>	<b>12,884</b>

As at 31 March 2011, the Group had unrecognised tax losses of approximately HK\$184,902,000 (2010: HK\$175,151,000) available to offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK\$175,965,000 (2010: HK\$156,898,000) that may be carried forward indefinitely and the remaining balance will expire at various dates in the coming five years.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in China from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the accumulated profits of the subsidiaries in China amounting to HK\$421,054,000 (2010: HK\$317,590,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

### THE COMPANY

As at 31 March 2011, the Company has unrecognised tax losses of approximately HK\$175,705,000 (2010: HK\$156,640,000) available to offset against future profits. The tax losses may be carried forward indefinitely. No deferred taxation asset has been recognised due to the unpredictability of future profit streams.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of bank borrowings as set out in Note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

## 34. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	2,370,697	1,888,899	1,147,702	999,610
Available-for-sale club debentures	17,529	16,545	17,529	16,545
Financial liabilities				
Amortised cost	840,445	491,806	2,427	2,098
Loan guarantee contracts	8,797	10,180	–	–

### Financial risk management objectives and policies

The major financial instruments of the Group and the Company include amount due from an associate, loans receivable, finance leases receivable, club debentures, accounts receivable and advances provided to customers, security deposits, short term bank deposits, bank balances and cash, amount due to an associate, other payables, deposits from loan guarantee customers, bank borrowings, deposits from finance lease customers and redeemable convertible preference shares. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk

##### Currency risk

The Company and several subsidiaries of the Company have foreign currency denominated monetary assets and monetary liabilities, thus exposing the Group and the Company to foreign currency risk.

#### THE GROUP

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date were as follows:

	Currency	Assets		Liabilities	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	HKD	163,452	75,529	2,427	2,098
United States dollar	USD	82,546	222,538	–	–

#### THE COMPANY

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date were as follows:

	Currency	Assets		Liabilities	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	HKD	1,005,685	777,131	2,427	2,098
United States dollar	USD	82,487	222,480	–	–

The Group and the Company currently do not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

#### Currency risk (continued)

#### Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in USD and HKD.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD and HKD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD and HKD against RMB and a positive number below indicates a decrease in profit for the year. For a 5% strengthening of USD and HKD against RMB, there would be an equal and opposite impact on the profit.

#### THE GROUP

	USD impact		HKD impact	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease in profit	4,127	11,127	8,050	3,672

#### THE COMPANY

	USD impact		HKD impact	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease in profit	4,124	11,124	50,163	38,752

## 34. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### *Market risk (continued)*

##### *Interest rate risk*

#### **THE GROUP**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company take on exposure to the effects of fluctuation in the prevailing levels of market interest rates on both the fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

The Group is exposed to fair value interest rate risk in relation to amount due from an associate, loans receivable, fixed-rate finance leases receivable, accounts receivable and advances provided to customers, security deposits, fixed-rate bank deposits, deposits from loan guarantee customers, fixed-rate borrowings, deposits from finance lease customers and redeemable convertible preference shares (see Notes 15, 18, 19, 22, 23, 24, 26 and 31 for details of these financial instruments respectively). The Group is also exposed to cash flow interest rate risk in relation to variable-rate finance leases receivable, variable-rate bank deposits and bank borrowings (see Notes 19, 24 and 26 for details of these financial instruments respectively). Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the rates offered by the PBOC arising from the Group's RMB denominated financial instruments.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to variable-rate finance leases receivable and bank borrowings. The analysis is prepared assuming the amount of asset and liability of variable-rate outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2010:50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis point (2010:50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2011 would increase/decrease by HK\$528,000 (2010: HK\$40,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate finance leases receivable and bank borrowings.

#### **THE COMPANY**

The Company is exposed to fair value interest rate risk in relation to advances to a subsidiary, amounts due from subsidiaries, fixed-rate bank deposits and redeemable convertible preference shares (see Notes 14, 24 and 31 for details of these financial instruments respectively). The Company is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits (see Note 24 for details of these financial instruments respectively). The management of the Company monitors the related interest rate risk exposure closely to ensure the interest rate risks are maintained at an acceptable level.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### *Credit risk*

#### THE GROUP AND THE COMPANY

As at 31 March 2011, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and loan guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to loan guarantees issued by the Group as disclosed in Note 27 and Note 37.

As at 31 March 2011, the Company's maximum exposure to credit risk in the event of that counterparties fail to perform their obligations as at 31 March 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

In order to minimise the credit risk in relation to loans receivable, finance leases receivable, accounts receivable and advances provided to customers, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group and the Company is significantly reduced.

The Group's exposure in relation to the loan guarantee business is the failure of the counterparties to perform their obligations to repay to banks on time as detailed in Note 37. Risk arising from loan guarantees is similar to those associated with accounts receivable and advances provided to customers. These transactions are, therefore, subject to the same risk management procedures and policies as set out in Note 22.

The loan guarantees are granted by the Group mainly in respect of property, automobile loans and SME loans granted by banks to corporate and individuals in China. Around 92% (2010: 96%) of the loan guarantee amounts are secured by assets pledged by customers.

The credit risk on liquid funds (i.e. short term bank deposits, bank balances and cash) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk on loans receivable, finance leases receivable and accounts receivable and advances provided to customers ("the receivables") as at 31 March 2011 included five major customers in China accounting for approximately 16.7% (2010: 29.9%) of the receivables. The Group has closely monitored the recoverability of the advances to customers and taken effective measures to ensure timely collection of outstanding balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk (continued)

#### THE GROUP AND THE COMPANY (continued)

The Group is exposed to the concentration of geographical risk on revenue which is generated from external customers located solely in China. The Group has closely monitored the business performance and diversified its customer bases.

The Company's concentration of credit risk on receivables as at 31 March 2011 is mainly from the advances to a subsidiary and amounts due from subsidiaries. The Company has closely monitored the recoverability of these balances and taken effective measures to ensure timely collection of outstanding balances.

#### Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

#### THE GROUP

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

#### Liquidity tables

	Weighted average effective interest rate %	On demand HK\$'000	Within 1 month HK\$'000	1 to 3 months HK\$'000	4 to 12 months HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2011 HK\$'000
<b>2011</b>									
Non-derivative financial liabilities									
Other payables	-	1,464	119,283	717	953	-	-	122,417	122,417
Deposits from loan guarantee customers	-	193,440	-	-	-	-	-	193,440	193,440
Loan guarantee contracts	-	3,253,100	-	-	-	-	-	3,253,100	8,797
Bank borrowings	6.66	-	6,996	31,318	236,640	166,265	114,646	555,865	502,641
Deposits from finance lease customers	5.79	-	-	-	1,719	7,183	13,187	22,089	19,547
Redeemable convertible preference shares	13.97	-	-	-	-	-	684,000	684,000	2,400
		3,448,004	126,279	32,035	239,312	173,448	811,833	4,830,911	849,242

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

#### THE GROUP (continued)

#### Liquidity tables (continued)

	Weighted average effective interest rate %	On demand HK\$'000	Within 1 month HK\$'000	1 to 3 months HK\$'000	4 to 12 months HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2010 HK\$'000
2010									
Non-derivative financial liabilities									
Amount due to an associate	-	3,046	-	-	-	-	-	3,046	3,046
Other payables	-	1,382	19,324	9,305	1,258	-	-	31,269	31,269
Deposits from loan guarantee									
customers	-	133,017	-	-	-	-	-	133,017	133,017
Loan guarantee contracts	-	3,932,711	-	-	-	-	-	3,932,711	10,180
Bank borrowings	6.28	-	4,825	15,877	50,373	217,419	63,634	352,128	314,607
Deposits from finance lease									
customers	6.13	-	-	-	-	7,503	863	8,366	7,780
Redeemable convertible									
preference shares	13.97	-	-	-	-	-	684,000	684,000	2,087
		4,070,156	24,149	25,182	51,631	224,922	748,497	5,144,537	501,986

The amounts included above for loan guarantee contracts represent the maximum amount that the Group could be required to pay if the guarantees were called upon in their entirety. As at 31 March 2011, the carrying amount of loan guarantee contracts (determined based on expectations at the end of the reporting period) amounted to HK\$8,797,000 (2010: HK\$10,180,000). However, this estimate is subject to change depending on the probability of the counterparty claiming under the loan guarantee contract.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

#### THE COMPANY

The following table details the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

#### Liquidity tables

	Weighted average effective interest rate %	On demand HK\$'000	Within 1 month HK\$'000	1 to 3 months HK\$'000	4 to 12 months HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2011 HK\$'000
<b>2011</b>									
Non-derivative financial liabilities									
Other payables	-	-	25	2	-	-	-	27	27
Loan guarantee contract	-	-	-	-	84,524	-	-	84,524	-
Redeemable convertible preference shares	13.97	-	-	-	-	-	684,000	684,000	2,400
		-	25	2	84,524	-	684,000	768,551	2,427

	Weighted average effective interest rate %	On demand HK\$'000	Within 1 month HK\$'000	1 to 3 months HK\$'000	4 to 12 months HK\$'000	1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2010 HK\$'000
<b>2010</b>									
Non-derivative financial liabilities									
Other payables	-	11	-	-	-	-	-	11	11
Loan guarantee contract	-	-	-	-	-	79,775	-	79,775	-
Redeemable convertible preference shares	13.97	-	-	-	-	-	684,000	684,000	2,087
		11	-	-	-	79,775	684,000	763,786	2,098

The amount included above for loan guarantee contract represent the maximum amount that the Company could be required to pay if the guarantee was called upon in its entirety. As at 31 March 2011, the carrying amount of loan guarantee contract (determined based on expectations at the end of the reporting period) was nil (2010: nil). However, this estimate is subject to change depending on the probability of the counterparty claiming under the loan guarantee contract.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. FINANCIAL INSTRUMENTS (continued)

### Fair value

#### THE GROUP AND THE COMPANY

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis using prices or rates from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

#### Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	THE GROUP AND THE COMPANY	
	Level 2	
	2011	2010
	HK\$'000	HK\$'000
Available-for-sale club debentures	17,529	16,545
Total	17,529	16,545

## 35. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Company's directors and other eligible participants of the Group. The Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 29 August 2003, amendments were made to give clarity to the Scheme.

The maximum number of shares which may be issued upon exercise of all outstanding options granted but not yet exercised under the Scheme and any other share option scheme shall not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares that may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme must not in aggregate exceed 10 percent of shares in issue as at the date of approval of the Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with HK\$1 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors.

The subscription price of a share option is determined by the directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

A summary of the movements of the outstanding options and their related weighted average exercise prices during each of the two years ended 31 March 2011 under the Company's share option scheme is as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 31 March 2011
			Outstanding at 1 April 2010	Granted during the year	Exercised during the year	Lapsed during the year	
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	(16,000,000)	–	16,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	92,300,000	–	–	–	92,300,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	5,100,000	–	–	–	5,100,000
31.12.2008	31.12.2011 – 30.12.2018	0.345	6,000,000	–	–	–	6,000,000
13.3.2009	13.9.2011 – 12.3.2019	0.360	1,000,000	–	–	–	1,000,000
13.3.2009	13.3.2012 – 12.3.2019	0.360	2,200,000	–	–	–	2,200,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,250,000	–	–	–	52,250,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	–	85,150,000	–	–	85,150,000
			190,850,000	85,150,000	(16,000,000)	–	260,000,000
			HK\$	HK\$	HK\$	HK\$	HK\$
Weighted average exercise price per share			0.706	0.410	0.256	–	0.636



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 31 March 2010
			Outstanding at 1 April 2009	Granted during the year	Exercised during the year	Lapsed during the year	
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	–	–	32,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	94,800,000	–	–	(2,500,000)	92,300,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	5,600,000	–	–	(500,000)	5,100,000
31.12.2008	31.12.2011 – 30.12.2018	0.345	6,000,000	–	–	–	6,000,000
13.3.2009	13.9.2011 – 12.3.2019	0.360	1,000,000	–	–	–	1,000,000
13.3.2009	13.3.2012 – 12.3.2019	0.360	2,200,000	–	–	–	2,200,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	–	52,250,000	–	–	52,250,000
			141,600,000	52,250,000	–	(3,000,000)	190,850,000
			HK\$	HK\$	HK\$	HK\$	HK\$
Weighted average exercise price per share			0.787	0.500	–	0.960	0.706

As at 31 March 2011, the Group had 108,300,000 (2010: 32,000,000) exercisable share options.

Details of the options held by the directors included in the above table are as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
			Outstanding at 1 April 2010	Granted during the year	Exercised during the year	Outstanding at 31 March 2011
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	(16,000,000)	16,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	75,000,000	–	–	75,000,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	1,600,000	–	–	1,600,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	–	52,000,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	–	72,100,000	–	72,100,000
			160,600,000	72,100,000	(16,000,000)	216,700,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
			Outstanding at 1 April 2009	Granted during the year	Exercised during the year	Outstanding at 31 March 2010
29.3.2007	29.3.2010 – 28.3.2017	0.256	32,000,000	–	–	32,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	75,000,000	–	–	75,000,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	1,600,000	–	–	1,600,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	–	52,000,000	–	52,000,000
			108,600,000	52,000,000	–	160,600,000

The weighted average share price at the dates of exercise of share option for the year ended 31 March 2011 was HK\$0.41. No share options were exercised in the prior year.

### Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on trinomial lattice model. The contractual life of the option is used as an input into these models. Expectations of early exercise are incorporated into the trinomial lattice model.

### For the year ended 31 March 2011

Grant dates	Executive directors	Independent non-executive directors	Employees
	1.2.2011	1.2.2011	1.2.2011

Fair value of share options and assumptions:

Fair value at measurement dates (HK\$)	0.123	0.143	0.093
Share price (HK\$)	0.410	0.410	0.410
Exercise price (HK\$)	0.410	0.410	0.410
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	48.948%	48.948%	48.948%
Option life	10 years	10 years	10 years
Expected dividends	5.19%	5.19%	5.19%
Risk-free interest rate (based on Exchange Fund Notes)	2.776%	2.776%	2.776%
Expected forfeiture rate	14.29%	–	21.74%
Exercise cap	180%	180%	120%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

### Fair value of share options and assumptions (continued)

For the year ended 31 March 2010

	Executive directors	Employee
Grant dates	13.10.2009	13.10.2009
Fair value of share options and assumptions:		
Fair value at measurement dates (HK\$)	0.195	0.169
Share price (HK\$)	0.500	0.500
Exercise price (HK\$)	0.500	0.500
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	69.991%	69.991%
Option life	10 years	10 years
Expected dividends	8%	8%
Risk-free interest rate (based on Exchange Fund Notes)	2.226%	2.226%
Expected forfeiture rate	12.50%	17.78%
Exercise cap	180%	120%

The expected volatility is based on the historical volatility of the Company's share price over the previous 3 to 3.5 years, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

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

The Group recognised total expenses of HK\$8,907,000 (2010: HK\$15,191,000) relating to share option payment transactions for the year ended 31 March 2011.

## 36. OPERATING LEASE COMMITMENTS

As at 31 March 2011, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

### As lessee

The Group and the Company are 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.

	THE GROUP		THE COMPANY	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Within one year	9,386	9,807	2,215	2,214
After one year but within five years	8,134	13,020	2,399	4,614
	17,520	22,827	4,614	6,828

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 37. CONTINGENT LIABILITIES

As at 31 March 2011, there were contingent liabilities in respect of the following:

- (a) The Group had contingent liabilities of RMB2,732,604,000 equivalent to approximately HK\$3,253,100,000 (2010: RMB3,500,113,000 equivalent to approximately HK\$3,932,711,000) and recognised RMB7,390,000 (2010: RMB9,060,000) equivalent to approximately HK\$8,797,000 (2010: HK\$10,180,000) in the consolidated statement of financial position as liabilities in relation to the provision of loan guarantee service in China. The corresponding deferred income received from this business is disclosed in Note 25.
- (b) The Company, Rongzhong Capital Investments and a director of the Company had given guarantees to a bank for the granting of a borrowing of not more than RMB100,000,000 (2010: RMB100,000,000) equivalent to approximately HK\$119,048,000 (2010: HK\$112,360,000), which was fully utilised as at 31 March 2011, to Rongzhong Enterprise Management (Shenzhen) Co., Ltd. ("Rongzhong Shenzhen"), a non-wholly owned subsidiary of the Company. The guarantee provided by the Company was in proportion to its interest in the borrower. No financial liabilities in relation to this loan guarantee granted by the Company to Rongzhong Shenzhen are recorded as, in the opinion of the directors, the fair values of the loan guarantee contracts were not significant during both years.

## 38. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees; relevant income subject to a cap of monthly relevant income of HK\$20,000 (the "Cap"). No forfeited contribution is available to reduce the contribution payable in the future years.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

## 39. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed in Notes 14 and 15, the Group had the following transactions with related parties during the year.

### Key management personnel remuneration

	2011 HK\$'000	2010 HK\$'000
Short-term benefits	12,511	12,746
Post-employment benefits	72	82
Share-based payments	7,663	12,709
	20,246	25,537

The details of the remuneration paid to the key management are set out in Note 9.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 39. RELATED PARTY TRANSACTIONS (continued)

### Transactions with related parties

	2011 HK\$'000	2010 HK\$'000
Management fee income received from the associate	2,573	13,911
Rental expense paid to a related company with common controlling shareholders	(2,592)	(2,592)
Rental expense paid to non-controlling shareholder of a subsidiary	(607)	(593)

## 40. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
		2011	2010	Directly		Indirectly		
				2011	2010	2011	2010	
Birdsong Management Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	-	-	100%	100%	Provision of management service
Chengdu City Rongzhong Financial Guarantee Co. Ltd. (成都市融眾融資擔保有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	71%	71%	Provision of loan guarantee service
Chengdu City Yingqiang Pawn Shop Co. Ltd. (成都市映強典當有限責任公司)*	China	RMB5,000,000	RMB5,000,000	-	-	71%	71%	Provision of financing service
Chongqing City Rongzhong Credit Guarantee Co. Ltd. (重慶市融眾信用擔保有限公司)*	China	RMB100,000,000	RMB100,000,000	-	-	71%	71%	Provision of loan guarantee service
Chongqing Goldbond Pawn Shop Co. Ltd. (重慶金榜典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	71%	71%	Provision of financing service
Famous Apex Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	-	-	100%	100%	Provision of loan financing service
Nanjing Goldbond Consultancy Co. Ltd. (南京金榜信息諮詢有限公司)**	China	HK\$5,000,000	HK\$5,000,000	-	-	100%	100%	Provision of management service
Guangzhou City Rongzhong Credit Guarantee Co. Ltd. (廣州市融眾信用擔保有限公司)*	China	RMB100,700,000	RMB100,700,000	-	-	71%	71%	Provision of loan guarantee service

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 40. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
		2011	2010	Directly		Indirectly		
				2011	2010	2011	2010	
Guangzhou Rongzhong Investment Management Co. Ltd. (廣州融眾投資管理有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	56.80%	56.80%	Investment holding
Guangzhou Rongzhong Pawn Co. Ltd. (廣州融眾典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	71%	71%	Provision of financing service
Hangzhou Rongzhong Guarantee Co. Ltd. (杭州融眾擔保有限公司)*	China	RMB50,000,000	RMB50,000,000	-	-	71%	71%	Provision of loan guarantee service
Hunan Rongzhong Investment Guarantee Co. Ltd. (湖南融眾投資擔保有限公司)*	China	RMB50,000,000	RMB50,000,000	-	-	71%	71%	Provision of loan guarantee service
Jiangsu Rongzhong Investment Guarantee Co. Ltd. (江蘇融眾投資擔保有限公司)*	China	RMB50,000,000	RMB50,000,000	-	-	71%	71%	Provision of loan guarantee service
Jiangsu Rongzhong Pawn Shop Co. Ltd. (江蘇融眾典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	71%	71%	Provision of financing service
Master Profit Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	100%	100%	-	-	Investment holding
Perfect Honour Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	100%	100%	-	-	Investment holding
Plentiful International Investments Limited	Hong Kong	HK\$1	HK\$1	-	-	71%	71%	Investment holding
Rongzhong Capital Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	-	-	71%	71%	Investment holding
Rongzhong Enterprise Management (Shenzhen) Co. Ltd. (融眾企業管理(深圳)有限公司)**	China	HK\$439,660,000	HK\$439,660,000	-	-	71%	71%	Provision of management service
Rongzhong Group Limited	British Virgin Islands/ Hong Kong	US\$26,000,000	US\$26,000,000	-	-	71%	71%	Investment holding
Rongzhong International Finance Lease Holdings Limited	Hong Kong	HK\$1	HK\$1	-	-	71%	71%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 40. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
		2011	2010	Directly		Indirectly		
				2011	2010	2011	2010	
Rongzhong International Financial Leasing Co. Ltd. (融眾國際融資租賃有限公司)*	China	US\$20,000,000	US\$10,000,000	-	-	71%	71%	Provision of financial leasing service
Rongzhong Capital Investments Group Limited (融眾資本投資集團有限公司)*	China	RMB560,000,000	RMB560,000,000	-	-	71%	71%	Investment holding
Solomon Glory Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	-	-	100%	100%	Provision of financing service
Taizhou Rongzhong Venture Investment Co. Ltd. (泰州融眾創業投資有限公司)*	China	RMB30,000,000	RMB30,000,000	-	-	56.80%	54.43%	Provision of financing service
Wuhan City Rongzhong Investment Guarantee Co. Ltd. (武漢市融眾投資擔保有限公司)*	China	RMB100,000,000	RMB100,000,000	-	-	71%	71%	Provision of loan guarantee service
Wuhan Fuyuan Pawn Shop Co. Ltd. (武漢福源典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	71%	71%	Provision of financing service
Wuhan Hanyang Pawn Shop Co. Ltd. (武漢瀚洋典當有限公司)*	China	RMB10,000,000	RMB10,000,000	-	-	71%	71%	Provision of financing service
Wuhan Rongzhong Management Co. Ltd. (武漢融眾諮詢管理有限公司)*	China	HK\$50,000,000	HK\$50,000,000	-	-	71%	71%	Provision of management service
Wuhan Rongzhong Investment Management Co. Ltd. (武漢融眾投資管理有限公司)*	China	RMB20,000,000	RMB20,000,000	-	-	71%	71%	Investment holding
Wuhan Rongzhong Pawn Shop Co. Ltd. (武漢融眾典當有限公司)*	China	RMB49,000,000	RMB49,000,000	-	-	71%	71%	Provision of financing service

\* a limited liability company established in China

\*\* a wholly foreign-owned enterprise established in China

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.