



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

Stock Code: 00172

ANNUAL REPORT 2012/13



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EXTENSIVE NETWORK IN CHINA



CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board") of Goldbond Group Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2013 (the "Year").

Over the past one year, the People's Republic of China ("China")'s economic growth experienced a slowdown. Despite of that, the credit gap and restrictions on bank lending to small-to-medium enterprises ("SMEs") provided the Group with numerous business opportunities. Our Group was managed to maintain good development momentum during this financial year. As at 31 March 2013, the total assets of the Group reached HK\$4.1 billion, up more than 14% from the beginning of the financial year. Profit for the Year attributable to the owners of the Company amounted to HK\$119.9 million (2012: loss of HK\$1 million after excluding non-recurring gain on disposal of subsidiaries of HK\$501.6 million).

As part of our growth strategies, the Group took a major leap forward to establish our first wholly-owned small loan company in Jiangsu Province, China during the Year. Even though this new company only commenced business in April 2013, its loan and investment portfolio reached RMB20.0 million (equivalent to approximately HK\$25.3 million) up to the date of this annual report. We expect that the small loan business would be one of our forward revenue drivers.

In the years to come, we expect that the demand from the SMEs for financing channels will continue to be strong. However, as some SMEs are faced with declining profitability, risk identification and control of loan pricing would be the major challenges for the whole financing industry. By leveraging business operation capability and network gained in the past, we are confident that we could seize business opportunities promptly to ensure continuous, healthy and stable growth.

In addition, the Group sees that the economic slump of some developed countries over the past decade has caused significant price adjustment of some high quality assets or properties of these countries while the quality of these assets or properties has remained during this period of time. These assets or properties may then turn out as attractive investment opportunities for the Group to develop a new business segment. The Group may explore such investment opportunities around the world with an aim to diversify the business segments of the Group and create sustainable value to the shareholders of the Company.

On behalf of the Board and our management team, I would like to take this opportunity to thank our shareholders, business partners and customers for their continued support and encouragement.

Wong Yu Lung, Charles
Deputy Chairman

Hong Kong, 27 June 2013

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Jun (*Chairman*)

Mr. Wong Yu Lung, Charles
(*Deputy Chairman*)

Mr. Ding Chung Keung
(*Chief Executive Officer*)

Ms. Wong, Michelle Yatyee

Mr. Melvin Jitsumi Shiraki

Independent non-executive Directors

Mr. Ma Ho Fai SBS JP

Mr. Cheng Yuk Wo

Mr. Ng Chi Keung MH

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)

Mr. Ma Ho Fai SBS JP

Mr. Ng Chi Keung MH

REMUNERATION COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)

Mr. Ma Ho Fai SBS JP

Mr. Ding Chung Keung

NOMINATION COMMITTEE

Mr. Ng Chi Keung MH (*Chairman*)

Mr. Cheng Yuk Wo

Mr. Ding Chung Keung

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

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/>

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

| | Year ended 31 March | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 HK\$ Million | 2012 HK\$ Million | 2011 HK\$ Million | 2010 HK\$ Million | 2009 HK\$ Million |
| Revenue | 237.5 | 265.2 | 286.8 | 306.1 | 351.1 |
| Profit before taxation | 175.6 | *555.7 | 131.2 | 166.1 | 211.5 |
| Taxation | (22.2) | (33.3) | (39.8) | (32.3) | (45.1) |
| Profit for the year | 153.4 | 522.4 | 91.4 | 133.8 | 166.4 |
| Other comprehensive income | – | 55.3 | 79.4 | – | 14.2 |
| Total comprehensive income for the year | 153.4 | 577.7 | 170.8 | 133.8 | 180.6 |
| Profit for the year attributable to: | | | | | |
| Owners of the Company | 119.9 | 500.8 | 64.7 | 118.6 | 149.4 |
| Non-controlling interests | 33.5 | 21.6 | 26.7 | 15.2 | 17.0 |
| | 153.4 | 522.4 | 91.4 | 133.8 | 166.4 |
| Total comprehensive income for the year attributable to: | | | | | |
| Owners of the Company | 119.9 | 550.0 | 137.1 | 118.6 | 161.5 |
| Non-controlling interests | 33.5 | 27.7 | 33.7 | 15.2 | 19.1 |
| | 153.4 | 577.7 | 170.8 | 133.8 | 180.6 |
| Dividend per Share (HK cents) | 1.5 | – | 2.0 | 2.0 | 4.0 |

* Included a gain on disposal of subsidiaries, net of tax, of HK\$501.6 million.

ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 HK\$ Million | 2012 HK\$ Million | 2011 HK\$ Million | 2010 HK\$ Million | 2009 HK\$ Million |
| Total assets | 4,107.2 | 3,593.1 | 2,573.4 | 2,087.2 | 1,809.5 |
| Total liabilities | (1,770.4) | (1,414.9) | (958.9) | (600.4) | (442.0) |
| Non-controlling interests | (220.7) | (187.2) | (154.0) | (121.5) | (104.0) |
| Equity attributable to owners of the Company | 2,116.1 | 1,991.0 | 1,460.5 | 1,365.3 | 1,263.5 |
| Net asset value per Share (HK cents) | 77.1 | 72.5 | 52.9 | 49.7 | 47.3 |

BOARD OF DIRECTORS

Mr. Wang Jun, aged 72, 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 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 63, 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, aged 43, is the Chief Executive Officer of the Company. He joined the Company in January 2004 and oversees all business operations of the Group. He is also a member of the Company’s nomination committee. 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. Mr. Ding holds a bachelor degree in business administration from The Chinese University of Hong Kong.

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. He is presently an independent non-executive director of 21 Holdings Limited, a company listed on the Stock Exchange.

Ms. Wong, Michelle Yatyee, aged 32, 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.

BOARD OF DIRECTORS

Mr. Melvin Jitsumi Shiraki, aged 67, joined the Company as an independent non-executive Director in September 2004 and has been re-designated as an executive Director with effect from 1 January 2012. 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. Ma Ho Fai SBS JP, aged 61, 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. Cheng Yuk Wo, aged 52, 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 and a member of the Company's nomination 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. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honour) degree in Accounting.

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, CPMC Holdings Limited, Imagi International Holdings Limited and Top Spring International Holdings Limited, all being companies listed on the Stock Exchange.

Mr. Ng Chi Keung MH, aged 50, was appointed as an independent non-executive Director on 2 December 2011. He is the Chairman of the Company's nomination committee and a member of the Company's audit committee. Mr. Ng holds a Bachelor Degree in Social Sciences from The University of Hong Kong and an Executive Master Degree in Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Secretaries and Administrators.

Prior to joining the Company, Mr. Ng had been working in an international accounting firm for 26 years, during which he was admitted as a partner and was in the position of acting as the deputy managing partner for the National Audit function of their practice in China prior to his retirement. Mr. Ng was a past president of the Association of Chartered Certified Accountants and is currently serving as the Deputy Chairman of the Hong Kong Productivity Council, the vice president of Diabetes Hongkong and a director of Nano and Advanced Materials Institute Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

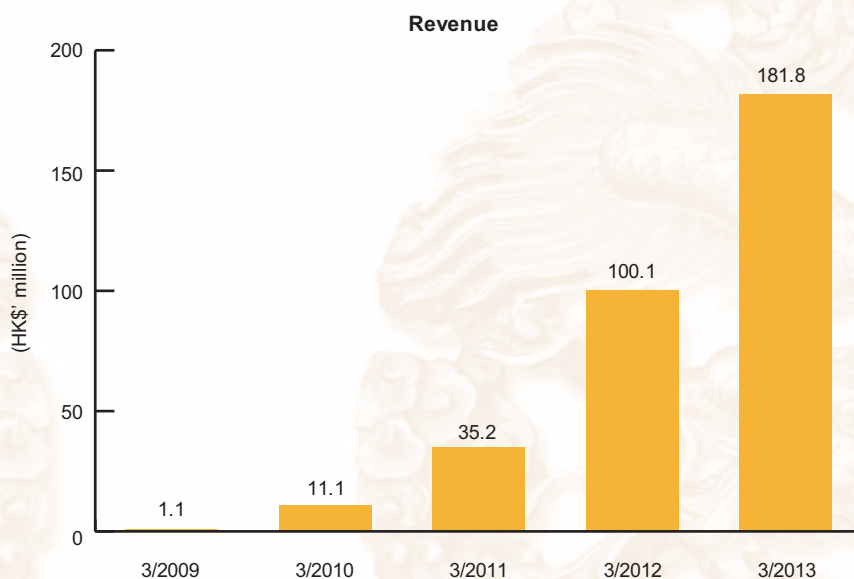
The Group engages principally in the provision of non-bank financial services to SMEs in China.

In 2011, the Group introduced a strategic investor, Hony Capital Fund 2008, L.P., to Rongzhong Group Limited (“Rongzhong Group”), a 71% owned subsidiary of the Group prior to the introduction (the “Introduction”), and completed a reorganisation which involved, among others, the spinoff of Rongzhong Capital Holdings Limited (“Rongzhong Capital”) and its subsidiaries (collectively “Rongzhong Capital Group”), which engage principally in the provision of financial leasing and related services in China, from Rongzhong Group. Upon the completion of the Introduction (“Completion of Introduction”), Rongzhong Capital became a 50.055% owned subsidiary of the Group and Rongzhong Group became a 40% owned jointly controlled entity of the Group.

Financial Leasing

The Group offers medium to long term financial leasing and related services to SMEs in China through Rongzhong International Financial Leasing Co., Ltd. (“Rongzhong Leasing”), a wholly owned subsidiary of Rongzhong Capital. Established in Wuhan under the wholly foreign-owned leasing license issued by the Ministry of Commerce of China, Rongzhong Leasing commenced business operation in late 2008 offering a wide range of financial leasing services, such as direct leasing, sales and leaseback, leveraged leasing, lease with buy-back undertaking and other related consultancy services. The customer base spans over various provinces and cities, including: Anhui, Beijing, Chongqing, Guangdong, Guizhou, Hebei, Henan, Hubei, Hunan, Inner Mongolia, Jiangsu, Jilin, Liaoning, Shaanxi, Shandong, Shanghai, Sichuan, Tianjin, Yunnan and Zhejiang.

Since the commencement of the financial leasing business in 2008, the Group has achieved significant growth over these years. The total carrying value of finance leases receivable as at 31 March 2013 reached HK\$1,643.4 million (2012: HK\$1,215.5 million), representing an increase of 35%. This portfolio contributed a total revenue for the Year of HK\$181.8 million (2012: HK\$100.1 million), representing an increase of 82%. This remarkable performance was mainly contributed by the Group’s well developed business platform and network, the steady economic growth in China and the strong support of local banks over these years.



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. Through the stringent and effective process in customer selection, credit assessment and post-leasing monitoring control, the Group has been able to maintain healthy and strong asset quality. In addition, the Group recognises the importance of human resources to continuous growth and development in this business, and allowed the key management of the Rongzhong Capital Group to subscribe new shares of Rongzhong Capital after the reporting date, details of which are set out in the circular of the Company dated 24 May 2013 and the section headed “Deemed Disposal Subsequent to the End of Reporting Period” below.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Deemed Disposal Subsequent to the End of Reporting Period

On 2 May 2013, Rongzhong Capital entered into a conditional subscription agreement for subscription of its new shares (“Subscription”) with two subscribers, companies owned by the key management of the Rongzhong Capital Group (the “Key Management”), with a view to (i) procure continuing dedication of the Key Management for its future business development and growing business targets and (ii) further strengthen its capital base.

The completion of Subscription (“Completion”) took place on 21 June 2013. As a result, the Company’s equity interest in Rongzhong Capital has been reduced to approximately 47.94%, and Rongzhong Capital ceased to be a subsidiary of the Company. The Group remains as the single largest shareholder of Rongzhong Capital and is entitled to share the operating results of the Rongzhong Capital Group with respect to its shareholding interest in Rongzhong Capital after Completion.

With dedicated key management and increased financial resources, the Group expects that the business growth potential of the Rongzhong Capital Group will be further enhanced.

Financing

As at 31 March 2013, the Group had (i) term loans (the “Zhuhai Loan”) for financing a property development project in Zhuhai, China (the “Zhuhai Project”), by a wholly owned subsidiary of the Group and (ii) revolving working capital loan facilities offered to Rongzhong Group.

Zhuhai Loan

During the year ended 31 March 2012, the borrowers failed to settle the Zhuhai Loan in full by the agreed repayment dates. Legal action has been taken against the borrowers for debt recovery. Taking into account the uncertainty of the outcome of the legal action and the chance of realising the interest of the Zhuhai Project, the only major asset known to be owned by the borrowers, the Zhuhai Loan was considered to be fully impaired as at 31 March 2012. The legal procedures are still in progress up to the date of this report. As at result, the Group did not recognise any income from the Zhuhai Loan for both years but an impairment loss of HK\$60.8 million for the year ended 31 March 2012. Despite of that, the Zhuhai Loan still provided an overall positive yield to the Group in the past years.

Rongzhong Facilities

The Group currently has two revolving loan facilities offered to the Rongzhong Group. The first loan facility is to make available a revolving loan facility of HK\$900 million in which a loan of HK\$444 million (the “Special Loan”) is bearing an interest rate of 5% per annum and repayable beyond one year of the reporting date while the remaining facility amount is bearing an interest rate of 10% per annum and repayable within one year of the reporting date. The second loan facility is to make available a revolving loan facility of RMB150 million (equivalent to approximately HK\$185 million) bearing an interest rate of 3% per annum and repayable within one year of the reporting date. As at 31 March 2013, the total carrying amount of the loans under the above-mentioned facilities was HK\$672.5 million (2012: HK\$671.5 million) and the total interest generated therefrom for the Year was HK\$55.7 million (2012: HK\$61.7 million of which HK\$37.0 million was related to the period prior to Completion of Introduction and was not recognised as revenue of the Group in accordance with applicable accounting standards). During the Year, as a result of the change of expected repayment date, the carrying amount of the Special Loan was written down by HK\$39.5 million in accordance with applicable accounting standards.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

鹽城市金榜科技小額貸款有限公司

(Yancheng Goldbond Technology Small Loan Company Limited#)

In November 2012, the Group had successfully obtained an approval to establish a wholly foreign-owned small loan company, 鹽城市金榜科技小額貸款有限公司 (“Yancheng Goldbond”), with a registered capital of US\$30 million in Yancheng, Jiangsu Province, China (“Yancheng”). Yancheng Goldbond obtained the business licence in April 2013 and is authorised to offer financial solutions to all technology-focused SMEs within the city of Yancheng. Unlike all other agricultural-focused small loan companies in China which are mainly authorised to provide financing service to SMEs and individuals in agricultural related sector, Yancheng Goldbond is authorised to offer, in addition to financing service, loan guarantee service, direct venture investment and other services approved by the provincial government, to its customers in Yancheng, which is the largest jurisdiction area and has the second largest population of Jiangsu Province, China.

Yancheng Goldbond, led by a group of experienced senior management, has established connections with several banks in Yancheng. Its loan and investment portfolio has reached RMB20 million (equivalent to approximately HK\$25.3 million) up to the date of this annual report since its commencement of business in April 2013.

In the future, Yancheng Goldbond may finance its expansion of operations through a combination of (i) borrowings and/or (ii) cash generated from its operations. Riding on the growth of demand for provision of financial solutions to SMEs, solid experience and proven track record gained in the development of financing services, it is expected that Yancheng Goldbond, as a business platform for business expansion in Jiangsu Province, China, will contribute stable revenue stream to the Group.

Interest in a jointly controlled entity – Rongzhong Group

The Group holds 40% of Rongzhong Group as its jointly controlled entity. Through various business platforms, including loan guarantee companies, pawn shops, small loan company and other financial consulting and management companies, Rongzhong Group together with its subsidiaries (collectively the “Rongzhong Group Companies”) offer various financial services to customers in China, covering financing, loan guarantee, financial consulting and management services. With business operation for more than one decade, Rongzhong Group Companies have developed strong and cohesive business relationship with numerous SMEs and more than 20 co-operating banks in China.

After the Completion of Introduction, the business of Rongzhong Group Companies continues to grow with additional working capital. Rongzhong Group Companies generated a total revenue of HK\$455.7 million (2012: HK\$277.3 million). As a result, the Group shared a net profit for the Year of HK\$82.0 million (2012: HK\$16.1 million for approximately 5 months since the Completion of Introduction) from the operation of Rongzhong Group Companies.

OUTLOOK

Looking forward, SMEs are still the most dynamic business group playing a unique role in China’s economic development. Under restrictive fiscal policy currently adopted by the Chinese government, banks curtail lending and/or restrict the granting of loans to big corporations, thus making SMEs difficult to obtain loans. The total number of SMEs and their demand for financial services continues to grow. With the long established brand identity and the all-round financial solutions offered, the Group, together with Rongzhong Capital Group and Rongzhong Group Companies are ready to seize this opportunity to enlarge their footprints in China. However, given the current uncertain and challenging global economic condition, the Group will implement its expansion plan with due care and caution.

for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

After the Completion of Introduction, Rongzhong Group became a jointly controlled entity of the Group and the financial results of Rongzhong Group Companies were accounted for using equity method in the consolidated statement of comprehensive income of the Group. The result of operations for financing and provision of loan guarantee service carried out by Rongzhong Group Companies prior to the Completion of Introduction in the previous financial year was treated as “discontinued operations” and presented separately in the Group’s consolidated statement of comprehensive income.

Results of Operations

Continuing operations

The Group generated a total revenue from continuing operations for the Year of HK\$237.5 million (2012: HK\$124.8 million), representing a remarkable growth of 90%. This was mainly contributed by the growth of the financial leasing business and the financing business to HK\$181.8 million and HK\$55.7 million respectively (2012: HK\$100.1 million and HK\$24.7 million respectively). Correspondingly, the direct finance costs and taxation increased to HK\$85.6 million and HK\$22.2 million, respectively (2012: HK\$58.1 million and HK\$8.8 million respectively).

In combination of the above factors, together with the drop in impairment loss on loans receivable by HK\$60.8 million and increase in share of profit of Rongzhong Group by HK\$65.9 million, the profit from continuing operations for the Year was HK\$153.4 million (2012: loss of HK\$50.0 million). As mentioned in the section headed “Rongzhong Facilities”, as a result of the change of expected repayment date, the carrying amount of the Special Loan was written down by HK\$39.5 million in accordance with applicable accounting standards. Excluding this non-cash item, the profit from continuing operations even reached HK\$192.9 million.

Discontinued operations

For the year ended 31 March 2012, the Group had a profit from discontinued operations of Rongzhong Group Companies of HK\$572.4 million, which composed of gain on disposal of Rongzhong Group Companies of HK\$501.6 million and a profit from operations of Rongzhong Group Companies for the period prior to the Completion of Introduction of HK\$70.8 million.

Total Comprehensive Income for the Year Attributable to the Owners of the Company

The Group generated a total comprehensive income for the Year attributable to the owners of the Company of HK\$119.9 million (2012: HK\$550.0 million), representing a decrease of about 78%. The significant decrease during the Year was mainly due to (1) the absence of non-recurring gain on disposal of Rongzhong Group Companies and (2) the decrease of exchange gain arising on translation as there was no significant appreciation of Renminbi during the Year, partly offset by the increase in profit from continuing operations as detailed in the section headed “Results of Operations”.

Final Dividend

The Board has proposed a final dividend of HK1.5 cents per share in respect of the results for the Year (2012: nil). The ratio of dividend to profit for the Year attributable to the owners of the Company for the Year was 34% (2012: nil) based on the issued share capital as at 31 March 2013. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 30 August 2013 (the “2013 AGM”), the final dividend will be distributed on or about 18 September 2013 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 9 September 2013.

Financial Resources and Capital Structure

The Group always maintains healthy cash position and sufficient capital for business development. As at 31 March 2013, the aggregate sum of cash, bank balances and short term bank deposits amounted to HK\$591.8 million (2012: HK\$591.2 million). The working capital (current assets less current liabilities) and the total equity of the Group were HK\$940.1 million (2012: HK\$671.9 million) and HK\$2,336.8 million (2012: HK\$2,178.3 million) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As at 31 March 2013, all bank borrowings of the Group were denominated in Renminbi and granted by banks in China to solely support the development of the financial leasing business. The bank borrowings of HK\$793.7 million (2012: HK\$796.4 million) bore interest with reference to the rate offered by the People's Bank of China and the remaining bank borrowings of HK\$227.1 million (2012: nil) bore fixed interest ranging from 6.15% to 6.65% per annum. The bank borrowings of HK\$457.6 million (2012: HK\$372.7 million) were classified as current liabilities while the remaining bank borrowings of HK\$563.2 million (2012: HK\$423.7 million) were classified as non-current liabilities. The Group manages its interest rate risk exposures by adjusting part of the amount of finance leases receivable with reference to the change in market interest rates. Apart from this, the Group has not entered into any hedging instruments to reduce 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 2013, the current ratio (current assets/current liabilities) of the Group was 2.59 times (2012: 2.42 times). 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 2013, the debt-to-equity ratio (total bank borrowings/total equity) of the Group was 43.7% (2012: 36.6%) while the net debt-to-equity ratio was 29.1% (2012: 12.5%).

Charges on Group Assets

As at 31 March 2013, the Group's finance leases receivable of HK\$1,261.7 million (2012: HK\$851.7 million) and security deposits of HK\$17.8 million (2012: HK\$19.4 million) were pledged to banks in China to secure the bank borrowings of the Group.

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 Renminbi with some monetary assets and liabilities denominated in other foreign currencies. The Group is, thus, exposed to the fluctuation in exchange rates between Renminbi, Hong Kong dollar and other currencies. At present, the Group has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Contingent Liabilities

As at 31 March 2013, the Company had given a guarantee to a bank for the granting of a borrowing of not more than RMB100 million (equivalent to HK\$123.5 million) which was fully utilised as at 31 March 2013 to a non-wholly owned subsidiary of the Company. The guarantee provided by the Company was 50.055% of all sums payable by the borrower.

Employees and Remuneration Policy

As at 31 March 2013, the Group had approximately 40 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.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Save as disclosed below, the Company has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") during the Year as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In respect of code provision E.1.2 of the CG Code, the Company's Chairman was unable to attend the annual general meeting of the Company held on 31 August 2012 ("2012 AGM") due to other prior business engagement and in respect of code provision A.6.7 of the CG Code, an independent non-executive Director was unable to attend the 2012 AGM due to other prior business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

– Composition of the Board

| | | |
|-------------------------------------|---|--|
| Executive Directors | : | Mr. Wang Jun (<i>Chairman</i>) Mr. Wong Yu Lung, Charles (<i>Deputy Chairman</i>) Mr. Ding Chung Keung (<i>Chief Executive Officer</i>) Ms. Wong, Michelle Yatyee Mr. Melvin Jitsumi Shiraki |
| Independent Non-executive Directors | : | Mr. Ma Ho Fai SBS JP Mr. Cheng Yuk Wo Mr. Ng Chi Keung MH |

Mr. Wong Yu Lung, Charles is the father of Ms. Wong, Michelle Yatyee. Save as disclosed, there is no relationship (including financial, business, family or other material relationship) among members of the Board.

Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

– Responsibilities of the Board

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE REPORT

– Attendance at Board and General Meeting

During the Year, a total of five Board meetings and one annual general meeting (i.e. 2012 AGM) were held and the attendance of each director is set out as follows:

| Name of Director | Number of meetings attended in the year ended 31 March 2013 | |
|---|--|----------|
| | Regular Board meetings | 2012 AGM |
| Mr. Wang Jun (<i>Chairman</i>) | 2/5 | 0/1 |
| Mr. Wong Yu Lung, Charles (<i>Deputy Chairman</i>) | 5/5 | 1/1 |
| Mr. Ding Chung Keung (<i>Chief Executive Officer</i>) | 5/5 | 1/1 |
| Ms. Wong, Michelle Yatyee | 2/5 | 1/1 |
| Mr. Melvin Jitsumi Shiraki | 4/5 | 0/1 |
| Mr. Ma Ho Fai SBS JP | 4/5 | 0/1 |
| Mr. Cheng Yuk Wo | 4/5 | 1/1 |
| Mr. Ng Chi Keung MH | 3/5 | 1/1 |

Though the Chairman, one executive Director and one independent non-executive Director were unable to attend 2012 AGM due to other business engagements, the Chief Executive Officer and the auditors had attended the meeting to answer questions at the meeting.

– Continuing Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant materials to the Directors. Directors participated in courses or seminars or read relevant materials relating to roles, functions and duties of a listed company director or further enhancement of their professional development. All Directors had provided the Company their training records for the year under review.

The individual training record of each director received for the year ended 31 March 2013 is summarized below:

| Name of Director | Attending seminar(s)/ programme(s)/conference(s)/ reading materials relevant to the business or directors' duties |
|---|---|
| Mr. Wang Jun (<i>Chairman</i>) | ✓ |
| Mr. Wong Yu Lung, Charles (<i>Deputy Chairman</i>) | ✓ |
| Mr. Ding Chung Keung (<i>Chief Executive Officer</i>) | ✓ |
| Ms. Wong, Michelle Yatyee | ✓ |
| Mr. Melvin Jitsumi Shiraki | ✓ |
| Mr. Ma Ho Fai SBS JP | ✓ |
| Mr. Cheng Yuk Wo | ✓ |
| Mr. Ng Chi Keung MH | ✓ |

CORPORATE GOVERNANCE REPORT

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

The directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the directors and officers of the Company. The directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wang Jun is the Chairman of the Company and Mr. Ding Chung Keung is the Chief Executive Officer of the Company. There is segregation of duties between Chairman and Chief Executive Officer. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

NON-EXECUTIVE DIRECTORS

All independent non-executive Directors are appointed for a specific term which may be extended as each and the Company may agree.

The current articles of association of the Company provide that at each annual general meeting, one-third of the directors for the time being, or if their number is not a multiple of three then the nearest number to but not less than one-third of the directors, shall retire from office. A retiring director shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

– Audit Committee

The audit committee comprises three independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Ma Ho Fai SBS JP and Mr. Ng Chi Keung MH.

The primary duties of the audit committee are to review the interim and annual financial information of the Company and to provide supervision over the financial reporting system and internal control procedure of the Company.

The audit committee convened 2 meetings during the Year and reviewed the financial results and statements, financial reporting and compliance procedures, review and processes of risk management.

The following table sets out the attendance of each member of the audit committee at the audit committee meetings held during the Year:

| Name of Director | Attendance/No. of times of audit committee meetings held |
|--------------------------------------|---|
| Mr. Cheng Yuk Wo (<i>Chairman</i>) | 2/2 |
| Mr. Ma Ho Fai SBS JP | 2/2 |
| Mr. Ng Chi Keung MH | 2/2 |

The audit committee has reviewed the audited results of the Group of the Year and proposed adoption of the same by the Directors.

– Remuneration Committee

The remuneration committee comprises two independent non-executive Directors, namely Mr. Cheng Yuk Wo and Mr. Ma Ho Fai SBS JP and one executive Director, namely Mr. Ding Chung Keung.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors. The remuneration committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure.

The remuneration committee convened one meeting during the Year and reviewed the remuneration package of the Board. The following table sets out the attendance of each member of the remuneration committee at the remuneration committee meeting held during the Year:

| Name of Director | Attendance/No. of times of remuneration committee meeting held |
|--------------------------------------|---|
| Mr. Cheng Yuk Wo (<i>Chairman</i>) | 1/1 |
| Mr. Ma Ho Fai SBS JP | 1/1 |
| Mr. Ding Chung Keung | 1/1 |

The remuneration committee made recommendations to the Board on the remuneration packages of individual executive Directors.

CORPORATE GOVERNANCE REPORT

– Nomination Committee

The nomination committee comprises two independent non-executive Directors, namely Mr. Ng Chi Keung MH and Mr. Cheng Yuk Wo and one executive Director, namely Mr. Ding Chung Keung.

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

The nomination committee convened one meeting during the Year and reviewed structure, size and composition of the Board.

The following table sets out the attendance of each member of the nomination committee at the nomination committee meeting held during the Year:

| Name of Director | Attendance/No. of times of nomination committee meeting held |
|---|---|
| Mr. Ng Chi Keung MH (<i>Chairman</i>) | 1/1 |
| Mr. Cheng Yuk Wo | 1/1 |
| Mr. Ding Chung Keung | 1/1 |

– Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary of the Company (the "Company Secretary") with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the Year, the Company has appointed Deloitte Touche Tohmatsu ("DTT") as the Company's external auditor. During the Year, the remuneration paid to DTT in relation to the audit and non-audit services are as follows:

| | Fee paid HK\$'000 |
|--------------------|-----------------------------|
| Audit services | 990 |
| Non-audit services | 545 |

– Director's Responsibilities in Respect of Financial Statements

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that the judgment and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this annual report.

– 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.

COMPANY SECRETARY

Ms. Li Yu Lian, Kelly was appointed as the Company Secretary on 8 March 2005. According to the newly introduced Rule 3.29 of the Listing Rules, she has taken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDER'S RIGHTS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars.

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Articles and the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). At the 2012 AGM, separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors.

– **Right to Convene an Extraordinary General Meeting (“EGM”) for Putting Forward Proposals**

Pursuant to Article 56 of the Company's articles of association, the Directors may call an EGM whenever they think fit, and shall, on requisition in accordance with the Companies Ordinance (Chapter 32) (the “Ordinance”) proceed to convene an EGM as required by the Ordinance.

According to Section 113 of the Ordinance, any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's registered office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition. The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary at the Company's registered office, and such may consist of several documents in like form, each signed by one or more requisitionists. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, but any meeting so convened shall not be held after the expiration of 3 months from the said date. All reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

Shareholders are requested to follow the requirements and procedures as set out above for putting forward proposals at an EGM.

CORPORATE GOVERNANCE REPORT

The procedures for shareholders of the Company to propose a person for election as a director of the Company are posted on the Company's website and are briefly set out below:

Pursuant to Article 119 of the Company's Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the registered office of the Company. The minimum length of the period during which such notices are given shall be at least seven (7) days and the period for lodgement of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

– Procedures for Sending Enquiries to the Board

Shareholders may send written enquiries to the Company, for the attention of the Company Secretary, by email: kellyli@goldbondgroup.com, fax: (852) 2826 9289, or mail to the registered office of the Company.

INVESTOR RELATIONS

During the year ended 31 March 2013, there had been no significant change in the Company's constitutional documents.

In accordance to the amendments of the Listing Rules with effect from 1 January 2012 and 1 April 2012, respectively, the terms of reference of the audit committee and the remuneration committee were revised in March 2012 and the nomination committee has been established on 28 March 2012. The revised terms of reference of the audit committee and the remuneration committee and the terms of reference of the nomination committee are available on the websites of the Stock Exchange and the Company.

CONTINUING CONNECTED TRANSACTION AND CONNECTED TRANSACTION

The Group had the following continuing connected transaction ("CCT") which was subject to annual review requirement during the Year pursuant to Chapter 14A of 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 a close relative of Mr. Wong Yu Lung, Charles ("Mr. Wong"), the Deputy Chairman of the Company and it 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.

CORPORATE GOVERNANCE REPORT

The above CCT had been reviewed by the independent non-executive Directors who had confirmed that it was entered into:

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

The external auditor of the Company had also confirmed in writing that the above CCT:

- (a) has received the approval of the Board;
- (b) has been entered into in accordance with the agreement governing the transaction; and
- (c) has not exceeded the cap disclosed in the relevant announcement.

Up to the date of this annual report, the Company had the following CCT and connected transaction (“CT”) pursuant to the Listing Rules:

1. On 19 April 2013, the Company announced that, as the Lease would be expired on 30 April 2013, to save up relocation costs for the Company, the Company and Wah Link entered into a new tenancy agreement for a term of 3 years from 1 May 2013 which constituted a CCT for the Company pursuant to the Listing Rules. Details of which was announced on 19 April 2013.
2. On 2 May 2013, the Company announced that, Rongzhong Capital entered into a subscription agreement (the “Subscription Agreement”) with, among others, Capital Grower Limited (“Capital Grower”), a company wholly-owned by Mr. Xie Xiao Qing (“Mr. Xie”), and Clifton Rise International Limited (“Clifton Rise”), a company owned as to 60% by Mr. Cai Hanming (“Mr. Cai”) and two independent third parties, pursuant to which Capital Grower and Clifton Rise conditionally agreed to subscribe for and Rongzhong Capital conditionally agreed to allot and issue 4,422 new shares of Rongzhong Capital at an aggregate consideration of US\$3 million. As at the date of the Subscription Agreement, Capital Grower is wholly-owned by Mr. Xie, who is a connected person of the Company by virtue of being a Director within the preceding 12 months and currently a director of Rongzhong Capital and its subsidiaries, and Clifton Rise is 60% held by Mr. Cai, who is a connected person of the Company by virtue of being a director of a subsidiary of Rongzhong Capital, the Subscription Agreement constituted a CT for the Company under Chapter 14A of the Listing Rules. Further information of the Subscription Agreement was disclosed in the circular of the Company dated 24 May 2013.

CORPORATE GOVERNANCE REPORT

RELATED PARTY TRANSACTIONS

As disclosed in Note 37 to the consolidated financial statements, the Group had some transactions with related parties during the Year. The following table shows those transactions (except for the Lease) which also fall under the definition of CCT in Chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements, if any:

| Nature of the transaction | Amount HK\$'000 |
|---|----------------------------|
| Rental expense paid to a jointly controlled entity | 66 |
| Company secretarial services fees received from a subsidiary of a jointly controlled entity | 120 |

The Directors submit their report together with the audited consolidated 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 38 to the consolidated 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 2013 are set out in the consolidated financial statements on pages 33 to 98.

The Directors recommend the payment of a final dividend in respect of the Year of HK1.5 cents (2012: Nil) per share to the shareholders on the register of members of the Company on 9 September 2013, estimated to be approximately HK\$41.18 million (2012: Nil). The recommended final dividend will be voted by the shareholders of the Company at the 2013 AGM.

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 to the consolidated 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 consolidated 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 15 to the consolidated financial statements.

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 37 of this annual report and movement in the reserves of the Company is set out in Note 26 to the consolidated financial statements.

As at 31 March 2013, the Company had, before dividends, approximately HK\$143.327 million (2012: HK\$149.054 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 2013 are set out in Note 23 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in Note 25 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group, including the Group's jointly controlled entity, accounted for approximately 48% (2012: 35%) of the Group's revenue and the largest customer, being the Group's jointly controlled entity, accounted for approximately 23% (2012: 20%) 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.

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme. Particulars of which are set out in Note 36 to the consolidated 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
Ms. Wong, Michelle Yatyee
Mr. Melvin Jitsumi Shiraki
Mr. Kee Wah Sze (*resigned on 31 December 2012*)
Mr. Xie Xiao Qing (*resigned on 21 December 2012*)

Independent Non-Executive Directors

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

Pursuant to articles 117 and 118 of the Articles, Mr. Wang Jun, Mr. Wong Yu Lung, Charles and Mr. Cheng Yuk Wo shall retire from the Board at the 2013 AGM. All retiring Directors, being eligible, offer themselves for re-election at the 2013 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 2013 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 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Continuing Connected Transaction and Connected Transaction" on page 20 of this annual report and in Note 37 to the consolidated 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 2013, the Directors and chief executive of the Company ("Chief Executive") and their respective associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

Interests in ordinary shares of HK\$0.10 each ("Shares")/underlying Shares of the Company

| Name of Director | Capacity | Number of Shares | Number of underlying Shares of the Company | Approximate percentage of the issued Shares as at 31 March 2013 |
|--|------------------------------------|---|--|---|
| Mr. Wang Jun ("Mr. Wang") | Interest in controlled corporation | 101,251,300 <i>(Note 1)</i> | – | 3.69% |
| | Beneficial owner | – | 25,000,000 <i>(Note 2)</i> | 0.91% |
| Mr. Wong | Interest in controlled corporation | 855,808,725 <i>(Note 1 on page 28)</i> | – | 31.18% |
| | Beneficial owner | – | 25,000,000 <i>(Note 2)</i> | 0.91% |
| | Beneficial owner | – | 26,000,000 <i>(Note 3)</i> | 0.95% |
| | Beneficial owner | – | 26,000,000 <i>(Note 4)</i> | 0.95% |
| Ms. Wong, Michelle Yatye ("Ms. Michelle Wong") | Interest in controlled corporation | 715,846,792 <i>(Note 3 on page 28)</i> | – | 26.08% |
| | Beneficial owner | – | 13,000,000 <i>(Note 4)</i> | 0.47% |
| Mr. Ding Chung Keung ("Mr. Ding") | Beneficial owner | 46,000,000 | – | 1.68% |
| | Beneficial owner | – | 25,000,000 <i>(Note 2)</i> | 0.91% |
| | Beneficial owner | – | 26,000,000 <i>(Note 3)</i> | 0.95% |
| | Beneficial owner | – | 26,000,000 <i>(Note 4)</i> | 0.95% |
| Mr. Melvin Jitsumi Shiraki ("Mr. Shiraki") | Beneficial owner | 5,540,000 | – | 0.20% |
| | Beneficial owner | – | 1,500,000 <i>(Note 4)</i> | 0.05% |

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

Interests in Shares/underlying Shares of the Company (continued)

| Name of Director | Capacity | Number of Shares | Number of underlying Shares of share options of the Company | Approximate percentage of the issued Shares as at 31 March 2013 |
|------------------------------------|------------------|---------------------|---|--|
| Mr. Ma Ho Fai SBS JP ("Mr. Ma") | Beneficial owner | 1,200,000 | – | 0.04% |
| | Beneficial owner | – | 1,500,000 <i>(Note 4)</i> | 0.05% |
| Mr. Cheng Yuk Wo ("Mr. Cheng") | Beneficial owner | – | 1,600,000 <i>(Note 5)</i> | 0.06% |
| | Beneficial owner | – | 2,600,000 <i>(Note 4)</i> | 0.09% |

Notes:

1. These Shares were held by Canasia Profits Corporation (which was wholly-owned by Mr. Wang).
2. On 17 August 2007, each of Mr. Wang, Mr. Wong and Mr. Ding was granted 25,000,000 options under the share option scheme of the Company (the "Share Option Scheme") to subscribe for 25,000,000 Shares respectively, 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 options under the Share Option Scheme to subscribe for 26,000,000 Shares respectively, exercisable at a price of HK\$0.50 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. On 23 May 2008, Mr. Cheng was granted 1,600,000 options under the Share Option Scheme to subscribe for 1,600,000 Shares, exercisable at a price of HK\$0.692 per Share during the period from 23 May 2011 to 22 May 2018.

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2013, 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 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 2013, 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 2013, the interests in Shares and/or underlying Shares of the Company of every person (other than the Directors and Chief Executive) as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name | Capacity | Number of Shares | Number of underlying Shares of share options of the Company | Approximate percentage of the issued share as at 31 March 2013 |
|--|------------------------------------|-------------------------|---|--|
| Mrs. Wong Fang Pik Chun ("Mrs. Wong") | Interest in controlled corporation | 855,808,725 (Note 1) | – | 31.18% |
| | Interest of spouse | – | 77,000,000 (Note 2) | 2.81% |
| Allied Luck Trading Limited ("Allied Luck") | Beneficial owner | 855,808,725 (Note 1) | – | 31.18% |
| Kwok, Gareth Wing-Sien ("Mr. Kwok") | Interest of spouse | 715,846,792 (Note 3) | 13,000,000 (Note 4) | 26.55% |
| Ace Solomon Investments Limited ("Ace Solomon") | Beneficial owner | 715,846,792 (Note 3) | – | 26.08% |
| Aceyork Investment Limited ("Aceyork") | Interest in controlled corporation | 715,846,792 (Note 3) | – | 26.08% |
| Allied Golden Investment Limited ("Allied Golden") | Interest in controlled corporation | 715,846,792 (Note 3) | – | 26.08% |
| Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong") | Interest in controlled corporation | 715,846,792 (Note 3) | – | 26.08% |

Notes:

- These Shares were held by Allied Luck which in turn owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong, the spouse of Mr. Wong. As such, each of Mr. Wong and Mrs. Wong was respectively taken to have an interest in such Shares by virtue of their respective shareholding interests in Allied Luck.
- As disclosed in Notes 2, 3 and 4 on page 27 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.
- 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.
- As disclosed in Note 4 on page 27, 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

All the interests stated above represent long positions.

Save for those disclosed above, at 31 March 2013, the Company had not been notified of any persons who had interests or short position in Shares and underlying Shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 18 September 2002 (the "2002 Share Option Scheme") with amendments made on 29 August 2003 to give clarity to it. On 31 August 2012, a new share option scheme of the Company was adopted (the "2012 Share Option Scheme") and the 2002 Share Option Scheme was terminated and no further share options will be granted thereunder, but the provisions of the 2002 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of the share options (to the extent not already exercised) granted prior to its termination. The key terms of the 2002 Share Option Scheme and the 2012 Share Option Scheme are set out in Note 31 to the consolidated financial statements.

Details of the movements of share options under the 2002 Share Option Scheme during the Year were as follows:

| Grantee | Date of grant | Exercise price (HK\$) | Exercisable period (Note 2) | Outstanding at 31/3/12 | Lapsed during the Year | Outstanding at 31/3/13 |
|--|---------------|-----------------------|-----------------------------|------------------------|------------------------|------------------------|
| Directors | | | | | | |
| Mr. Wang | 17/8/2007 | 1.014 | 17/8/2010 – 16/8/2017 | 25,000,000 | – | 25,000,000 |
| Mr. Wong | 17/8/2007 | 1.014 | 17/8/2010 – 16/8/2017 | 25,000,000 | – | 25,000,000 |
| | 13/10/2009 | 0.500 | 13/10/2012 – 12/10/2019 | 26,000,000 | – | 26,000,000 |
| | 1/2/2011 | 0.410 | 1/2/2014 – 31/1/2021 | 26,000,000 | – | 26,000,000 |
| Mr. Ding | 17/8/2007 | 1.014 | 17/8/2010 – 16/8/2017 | 25,000,000 | – | 25,000,000 |
| | 13/10/2009 | 0.500 | 13/10/2012 – 12/10/2019 | 26,000,000 | – | 26,000,000 |
| | 1/2/2011 | 0.410 | 1/2/2014 – 31/1/2021 | 26,000,000 | – | 26,000,000 |
| Ms. Michelle Wong | 1/2/2011 | 0.410 | 1/2/2014 – 31/1/2021 | 13,000,000 | – | 13,000,000 |
| Mr. Shiraki | 1/2/2011 | 0.410 | 1/2/2014 – 31/1/2021 | 1,500,000 | – | 1,500,000 |
| Mr. Ma | 1/2/2011 | 0.410 | 1/2/2014 – 31/1/2021 | 1,500,000 | – | 1,500,000 |
| Mr. Cheng | 23/5/2008 | 0.692 | 23/5/2011 – 22/5/2018 | 1,600,000 | – | 1,600,000 |
| | 1/2/2011 | 0.410 | 1/2/2014 – 31/1/2021 | 2,600,000 | – | 2,600,000 |
| Ex-Director | | | | | | |
| Mr. Kee Wah Sze | 1/2/2011 | 0.410 | 1/2/2014 – 31/1/2021 | 1,500,000 | (1,500,000) | – |
| Eligible employees (in aggregate) | | | | | | |
| | 29/3/2007 | 0.256 | 29/3/2010 – 28/3/2017 | 16,000,000 | – | 16,000,000 |
| | 17/8/2007 | 1.014 | 17/8/2010 – 16/8/2017 | 17,300,000 | (2,000,000) | 15,300,000 |
| | 23/5/2008 | 0.692 | 23/5/2011 – 22/5/2018 | 3,500,000 | (500,000) | 3,000,000 |
| | 31/12/2008 | 0.345 | 31/12/2011 – 30/12/2018 | 6,000,000 | (6,000,000) | – |
| | 13/3/2009 | 0.360 | 13/9/2011 – 12/3/2019 | 1,000,000 | – | 1,000,000 |
| | 13/3/2009 | 0.360 | 13/3/2012 – 12/3/2019 | 2,200,000 | (300,000) | 1,900,000 |
| | 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 | (300,000) | 12,750,000 |
| | | | | 260,000,000 | (10,600,000) | 249,400,000 |

DIRECTORS' REPORT

SHARE OPTION SCHEMES (continued)

Notes:

1. No share options were granted, exercised or cancelled during the Year;
2. The vesting period of the above share options is from the date of grant until the commencement of the exercisable period; and
3. These share options were granted to Mr. Xie who resigned as a director of the Company on 21 December 2012, but remained an eligible employee under the 2002 Share Option Scheme.

CHANGE IN INFORMATION OF DIRECTORS

Up to the date of this annual report, there are the following changes in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

| Name of Director | Details of changes |
|-------------------|---|
| Mr. Wong | – Monthly remuneration revised to HK\$138,000 with effect from 1 February 2013. |
| Ms. Michelle Wong | – Monthly remuneration revised to HK\$80,000 with effect from 1 February 2013. |
| Mr. Cheng | – Retired as an independent non-executive director, ceased to be the chairman of the audit committee, a member of the remuneration and nomination committee, of South China Land Limited with effect from 7 May 2013. |

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with CG Code as set out in Appendix 14 to the Listing Rules during the Year, except for the following deviation:

Pursuant to Code E.1.2 of the CG Code, the Chairman should attend the annual general meetings of the Company. Mr. Wang, the Company's Chairman, was unable to attend the 2012 AGM due to other prior business engagement.

Pursuant to Code A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Mr. Ma, the independent non-executive Director, was unable to attend the 2012 AGM due to other prior business engagement.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in this annual report.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by the Directors. Having made specific enquiry, all Directors confirmed that they fully complied with the Model Code throughout the Year.

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.

AUDITOR

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

On behalf of the Board

Ding Chung Keung
Chief Executive Officer

Hong Kong
27 June 2013

INDEPENDENT AUDITOR'S REPORT

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 33 to 98, which comprise the consolidated and the Company's statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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, 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 2013 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

27 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

| | Notes | 2013 HK\$'000 | 2012 HK\$'000 |
|---|-------|------------------|------------------|
| Continuing operations | | | |
| Revenue | 5 | 237,526 | 124,836 |
| Other income | | 15,709 | 7,374 |
| Staff costs | 9 | (26,990) | (28,949) |
| Other operating expenses | | (17,207) | (35,536) |
| Adjustment to the carrying amount of a loan to a jointly controlled entity | 17 | (39,506) | – |
| Impairment loss on loans receivable | 33 | – | (60,782) |
| Change in fair values of financial liabilities | 30 | 10,071 | (5,715) |
| Direct finance costs | 7 | (85,562) | (58,133) |
| Other finance costs | 8 | (414) | (360) |
| Share of profit of a jointly controlled entity | 17 | 81,962 | 16,056 |
| Profit (loss) before taxation | 9 | 175,589 | (41,209) |
| Taxation | 11 | (22,221) | (8,779) |
| Profit (loss) for the year from continuing operations | | 153,368 | (49,988) |
| Discontinued operations | | | |
| Profit for the year from discontinued operations | 12 | – | 572,358 |
| Profit for the year | | 153,368 | 522,370 |
| Other comprehensive income | | | |
| Exchange differences arising on translation | | 14 | 55,342 |
| Total comprehensive income for the year | | 153,382 | 577,712 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 119,884 | 500,813 |
| Non-controlling interests | | 33,484 | 21,557 |
| | | 153,368 | 522,370 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 119,898 | 549,960 |
| Non-controlling interests | | 33,484 | 27,752 |
| | | 153,382 | 577,712 |
| Earnings (loss) per share | | | |
| From continuing and discontinued operations | 14 | | |
| – Basic | | HK 4.37 cents | HK 18.15 cents |
| – Diluted | | HK 4.36 cents | N/A |
| From continuing operations | | | |
| – Basic | | HK 4.37 cents | HK (2.24) cents |
| – Diluted | | HK 4.36 cents | N/A |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | Notes | 2013 HK\$'000 | 2012 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Equipment | 15 | 2,255 | 2,184 |
| Interest in a jointly controlled entity | 17 | 1,149,458 | 1,067,496 |
| Loan to a jointly controlled entity | 17 | 424,171 | 671,515 |
| Finance leases receivable | 18 | 982,322 | 689,796 |
| Club debentures | 19 | 18,179 | 18,179 |
| | | 2,576,385 | 2,449,170 |
| Current assets | | | |
| Loans to a jointly controlled entity | 17 | 248,334 | – |
| Amount due from a jointly controlled entity | 17 | 388 | 542 |
| Finance leases receivable | 18 | 661,100 | 525,662 |
| Prepayments, deposits and other receivables | | 11,316 | 7,176 |
| Security deposits | 20 | 17,835 | 19,430 |
| Short term bank deposits | 21 | | |
| – with original maturity within three months | | 305,585 | 494,813 |
| – with original maturity more than three months | | 251,813 | 66,866 |
| Bank balances and cash | 21 | 34,437 | 29,503 |
| | | 1,530,808 | 1,143,992 |
| Current liabilities | | | |
| Other payables and accrued charges | | 31,603 | 32,559 |
| Deposits from finance lease customers | 18 | 71,766 | 43,552 |
| Deferred income | 22 | 20,859 | 14,048 |
| Taxation | | 889 | 3,611 |
| Bank borrowings | 23 | 457,606 | 372,718 |
| Liabilities under shareholders' agreements | 24 | 7,948 | 5,583 |
| | | 590,671 | 472,071 |
| Net current assets | | 940,137 | 671,921 |
| Total assets less current liabilities | | 3,516,522 | 3,121,091 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | Notes | 2013 HK\$'000 | 2012 HK\$'000 |
|--|-------|------------------|------------------|
| Capital and reserves | | | |
| Share capital | 25 | 274,501 | 274,501 |
| Reserves | | 1,841,627 | 1,716,541 |
| Equity attributable to owners of the Company | | 2,116,128 | 1,991,042 |
| Non-controlling interests | | 220,721 | 187,237 |
| Total equity | | 2,336,849 | 2,178,279 |
| Non-current liabilities | | | |
| Deposits from finance lease customers | 18 | 291,751 | 182,641 |
| Deferred income | 22 | 20,136 | 19,917 |
| Bank borrowings | 23 | 563,225 | 423,671 |
| Liabilities under shareholders' agreements | 24 | 301,387 | 313,823 |
| Redeemable convertible preference shares | 27 | 3,174 | 2,760 |
| | | 1,179,673 | 942,812 |
| | | 3,516,522 | 3,121,091 |

The consolidated financial statements on pages 33 to 98 were approved and authorised for issue by the Board of Directors on 27 June 2013 and are signed on its behalf by:

Wong Yu Lung, Charles
Director

Ding Chung Keung
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | Notes | 2013 HK\$'000 | 2012 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Equipment | 15 | 919 | 1,394 |
| Interest in subsidiaries | 16 | 88,999 | 1 |
| Amounts due from subsidiaries | 16 | 598,798 | – |
| Club debentures | 19 | 18,179 | 18,179 |
| | | 706,895 | 19,574 |
| Current assets | | | |
| Amounts due from subsidiaries | 16 | 132,029 | 585,935 |
| Prepayments, deposits and other receivables | | 1,156 | 1,551 |
| Short term bank deposits | 21 | | |
| – with original maturity within three months | | 258,515 | 492,509 |
| – with original maturity more than three months | | 66,628 | 66,865 |
| Bank balances and cash | 21 | 695 | 674 |
| | | 459,023 | 1,147,534 |
| Current liabilities | | | |
| Other payables and accrued charges | | 765 | 629 |
| Net current assets | | 458,258 | 1,146,905 |
| Total assets less current liabilities | | 1,165,153 | 1,166,479 |
| Capital and reserves | | | |
| Share capital | 25 | 274,501 | 274,501 |
| Reserves | 26 | 887,478 | 889,218 |
| Total equity | | 1,161,979 | 1,163,719 |
| Non-current liability | | | |
| Redeemable convertible preference shares | 27 | 3,174 | 2,760 |
| | | 1,165,153 | 1,166,479 |

Wong Yu Lung, Charles
Director

Ding Chung Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---------------------------------------|---------------------------|--|---|-----------------------------|-----------------------------|---|---------------------------------|------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Investment revaluation reserve HK\$'000 | Employee share-based compensation reserve HK\$'000 | General reserve HK\$'000 | Capital reserve HK\$'000 | Statutory surplus reserve HK\$'000 (Note) | Translation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| At 1 April 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 |
| Exchange differences arising on translation | - | - | - | - | - | - | - | 49,147 | - | 49,147 | 6,195 | 55,342 |
| Profit for the year | - | - | - | - | - | - | - | - | 500,813 | 500,813 | 21,557 | 522,370 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | 49,147 | 500,813 | 549,960 | 27,752 | 577,712 |
| Dividends recognised as distribution (Note 13) | - | - | - | - | - | - | - | - | (55,211) | (55,211) | - | (55,211) |
| Non-controlling interests arising on subscription of new shares of a subsidiary (Note 38) | - | - | - | - | - | - | - | - | - | - | 156,000 | 156,000 |
| Additional non-controlling interests arising on debt capitalisation by a subsidiary (Note 38) | - | - | - | - | - | - | - | - | - | - | 45,240 | 45,240 |
| Derecognised upon disposal of subsidiaries (Note 32) | - | - | - | - | - | - | - | - | - | - | (159,384) | (159,384) |
| Gain on deemed disposal of a subsidiary (Note 38) | - | - | - | - | - | 35,135 | - | - | - | 35,135 | (35,135) | - |
| Expenses incurred for deemed disposal of a subsidiary | - | - | - | - | - | (100) | - | - | - | (100) | (100) | (200) |
| Realisation of reserves upon disposal of subsidiaries | - | - | - | - | - | - | (12,026) | (53,604) | 65,630 | - | - | - |
| Repurchase of ordinary shares | (1,555) | (4,624) | - | - | - | - | - | - | - | (6,179) | - | (6,179) |
| Transaction costs attributable to repurchase of ordinary shares | - | (25) | - | - | - | - | - | - | - | (25) | - | (25) |
| Recognition of equity-settled share-based payments | - | - | - | 6,991 | - | - | - | - | - | 6,991 | - | 6,991 |
| Transferred to statutory surplus reserve | - | - | - | - | - | - | 1,110 | - | (1,110) | - | - | - |
| Acquisition of additional interests in a subsidiary | - | - | - | - | - | - | - | - | - | - | (1,190) | (1,190) |
| At 31 March 2012 | 274,501 | 547,932 | 3,000 | 50,385 | 6,000 | 35,035 | 1,967 | 111,676 | 960,546 | 1,991,042 | 187,237 | 2,178,279 |
| Exchange differences arising on translation | - | - | - | - | - | - | - | 14 | - | 14 | - | 14 |
| Profit for the year | - | - | - | - | - | - | - | - | 119,884 | 119,884 | 33,484 | 153,368 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | 14 | 119,884 | 119,898 | 33,484 | 153,382 |
| Lapse of share options | - | - | - | (1,201) | - | - | - | - | 1,201 | - | - | - |
| Recognition of equity-settled share-based payments | - | - | - | 5,188 | - | - | - | - | - | 5,188 | - | 5,188 |
| Transferred to statutory surplus reserve | - | - | - | - | - | - | 3,740 | - | (3,740) | - | - | - |
| At 31 March 2013 | 274,501 | 547,932 | 3,000 | 54,372 | 6,000 | 35,035 | 5,707 | 111,690 | 1,077,891 | 2,116,128 | 220,721 | 2,336,849 |

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 2013

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Operating activities | | |
| Profit for the year | 153,368 | 522,370 |
| Adjustments for: | | |
| Taxation | 22,221 | 33,300 |
| Depreciation of equipment | 1,259 | 2,588 |
| Amortisation of intangible assets | – | 264 |
| Allowance for bad and doubtful debts, net | – | 15,362 |
| Equity-settled share-based payment expenses | 5,188 | 6,991 |
| Change in fair values of financial liabilities | (10,071) | 5,715 |
| Finance costs | 85,976 | 64,041 |
| Adjustment to the carrying amount of a loan to a jointly controlled entity | 39,506 | – |
| Impairment loss on loans receivable | – | 60,782 |
| Gain on disposal of equipment | – | (2,283) |
| Gain on disposal of subsidiaries | – | (501,634) |
| Interest income from bank deposits | (15,252) | (8,227) |
| Share of loss of an associate | – | 761 |
| Share of profit of a jointly controlled entity | (81,962) | (16,056) |
| Effect of foreign exchange rate changes | 14 | 5,419 |
| Operating cash flows before movements in working capital | 200,247 | 189,393 |
| Increase in loans to a jointly controlled entity | (40,496) | (22,474) |
| Increase in amount due from a jointly controlled entity | (3,318) | (4,209) |
| Decrease in loans receivable | – | 3,535 |
| Increase in accounts receivable and advances provided to customers | – | (156,893) |
| Increase in finance leases receivable | (427,964) | (700,745) |
| Increase in prepayments, deposits and other receivables | (4,140) | (7,380) |
| Decrease (increase) in security deposits | 1,595 | (29,064) |
| Decrease in other payables and accrued charges | (956) | (38,000) |
| Increase in deposits from loan guarantee customers | – | 2,543 |
| Increase in deferred income | 7,030 | 16,990 |
| Decrease in liabilities arising from loan guarantee contracts | – | (994) |
| Increase in deposits from finance lease customers | 117,909 | 196,175 |
| Cash used in operations | (150,093) | (551,123) |
| Enterprise Income Tax paid in China | (24,943) | (25,019) |
| Net cash used in operating activities | (175,036) | (576,142) |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

| | Notes | 2013 HK\$'000 | 2012 HK\$'000 |
|---|-------|------------------|------------------|
| Investing activities | | | |
| Net cash inflow from disposal of subsidiaries | 32 | – | 257,196 |
| Release of short term bank deposits with original maturity more than three months | | 66,866 | 122,050 |
| Placement of short term bank deposits with original maturity more than three months | | (251,813) | (66,866) |
| Interest received from bank deposits | | 15,252 | 8,227 |
| Proceeds from disposal of equipment | | – | 2,692 |
| Acquisition of an associate | | – | (11,905) |
| Purchase of equipment | | (1,330) | (9,482) |
| Net cash (used in) from investing activities | | (171,025) | 301,912 |
| Financing activities | | | |
| Bank loans raised | | 637,024 | 611,189 |
| Capital contribution from non-controlling interests | | – | 201,040 |
| Repayment of bank loans | | (412,582) | (224,545) |
| Interest paid | | (62,675) | (54,128) |
| Dividends paid | 13 | – | (55,211) |
| Payment for repurchase of ordinary shares | 25 | – | (6,179) |
| Payment for transaction costs attributable to repurchase of ordinary shares | | – | (25) |
| Capital repayment to non-controlling interests | | – | (1,190) |
| Net cash from financing activities | | 161,767 | 470,951 |
| Net (decrease) increase in cash and cash equivalents | | (184,294) | 196,721 |
| Cash and cash equivalents at beginning of the year | | 524,316 | 321,185 |
| Effect of foreign exchange rate changes | | – | 6,410 |
| Cash and cash equivalents at end of the year | | 340,022 | 524,316 |
| Analysis of balances of cash and cash equivalents | | | |
| Bank balances and cash | | 34,437 | 29,503 |
| Short term bank deposits with original maturity within three months | | 305,585 | 494,813 |
| | | 340,022 | 524,316 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 (the “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 (“HKFRSs”)

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

| | |
|-----------------------|--|
| Amendments to HKFRS 7 | Disclosures – Transfers of financial assets |
| Amendments to HKAS 12 | Deferred tax – Recovery of underlying assets |

The adoption of these amendments to HKFRSs in the current year has had no material effect on the consolidated financial statements disclosure.

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

| | |
|---|---|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2009-2011 cycle ¹ |
| Amendments to HKFRS 1 | Government loans ¹ |
| Amendments to HKFRS 7 | Disclosures – Offsetting financial assets and financial liabilities ¹ |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory effective date of HKFRS 9 and transition disclosures ² |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment entities ⁴ |
| HKFRS 9 | Financial instruments ² |
| HKFRS 10 | Consolidated financial statements ¹ |
| HKFRS 11 | Joint arrangements ¹ |
| HKFRS 12 | Disclosure of interests in other entities ¹ |
| HKFRS 13 | Fair value measurement ¹ |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income ³ |
| HKAS 19 (Revised 2011) | Employee benefits ¹ |
| HKAS 27 (Revised 2011) | Separate financial statements ¹ |
| HKAS 28 (Revised 2011) | Investments in associates and joint ventures ¹ |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities ⁴ |
| HK(IFRIC) – INT 20 | Stripping costs in the production phase of a surface mine ¹ |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

- ¹ Effective for annual periods beginning on or after 1 January 2013.
- ² Effective for annual periods beginning on or after 1 January 2015.
- ³ Effective for annual periods beginning on or after 1 July 2012.
- ⁴ Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. 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.

The directors are in the process of assessing the impact of adoption of HKFRS 9 in the consolidated financial statements for the financial year ending 31 March 2016 and are not yet practicable to provide a reasonable estimate of the impact until a detail review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK (SIC) – INT 12 Consolidation – Special purpose entities”. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 “Interests in joint ventures” and HK (SIC) – INT 13 “Jointly controlled entities – Non-monetary contributions by venturers”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 April 2013. Upon adoption of these five standards, the Group’s interest in a jointly controlled entity will be classified as joint venture in the consolidated financial statements, and will continue to be accounted for under the equity accounting method. Besides the aforementioned, the adoption of these five standards will not have significant impact on amounts reported in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard will not have material impact on the amounts reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Except as described above, the application of the other new and revised standards is not expected to have a material impact on the Group’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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 services.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Income and expenses 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 subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the proportionate share of net assets attributable to the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. Jointly controlled entities are accounted for using the equity method. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading. Under the equity method, investments in jointly controlled entities 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 jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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. (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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

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.

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.

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 re-translated.

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. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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. Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 (other than financial liabilities at fair value through profit or loss) 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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 to a jointly controlled entity, finance leases receivable, amounts due from subsidiaries, amount due from a jointly controlled entity, 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).

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 investment 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, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Individual impairment allowances are assessed by a discounted cash flow method for finance leases receivable that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as finance leases receivable, assets that are assessed not to be impaired individually are, in addition, 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, the amount of the impairment loss recognised in the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance leases receivable, 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 through 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 investment revaluation reserve. For available-for-sale debt investments, impairment loss are subsequently reversed through profit or loss if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated at FVTPL on initial recognition. The Group classified call option as held for trading and designated other liabilities under shareholders' agreements as financial liabilities at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Financial liabilities

The Group's financial liabilities include other payables, deposits from finance lease customers and bank borrowings. These are subsequently measured at amortised cost, 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 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Redeemable convertible preference shares

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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 of obligation under the contract, as 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 the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and a reliable estimate can be made of the amount of the 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 of the time value of money is material.

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 such that the cumulative expense reflects the revised estimate, 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 finance leases receivable

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 2013, the carrying amount of finance leases receivable is HK\$1,643,422,000 (2012: HK\$1,215,458,000).

Fair value of liabilities under shareholders' agreements

The directors of the Company use their judgement in selecting an appropriate valuation technique for measuring liabilities under shareholders' agreements not quoted in an active market. Valuation technique of discounted cash flow analysis is used based on management's assumptions. The fair value of liabilities under shareholders' agreements as at 31 March 2013 was HK\$309,335,000 (31 March 2012: HK\$319,406,000). Details of the assumptions used are disclosed in Note 24. The directors believe that the chosen valuation techniques and assumptions (such as growth rate, risk adjusted discount rates) are appropriate in determining the fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

As at 31 March 2013, no deferred tax asset (2012: nil) in relation to unused tax losses of HK\$227,586,000 (2012: HK\$202,100,000) was recognised in the Group's consolidated statement of financial position because of the unpredictability of future profit streams (Note 28). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

Estimated impairment of interest in a jointly controlled entity

Determining whether interest in a jointly controlled entity is impaired requires an estimation of the recoverable amount of a jointly controlled entity, which is based on its value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the jointly controlled entity 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 2013, the carrying amount of interest in a jointly controlled entity is HK\$1,149,458,000 (2012: HK\$1,067,496,000). Details of the impairment review is disclosed in Note 17.

5. REVENUE

Revenue for the year from continuing operations represents income received and receivable from the provision of financial leasing service in China and financing service outside China. It also represents the turnover of the Group.

| | 2013 HK\$'000 | 2012 HK\$'000 |
|----------------------------------|------------------|------------------|
| Financial leasing service income | 181,818 | 100,112 |
| Financing service income | 55,708 | 24,724 |
| | 237,526 | 124,836 |

6. SEGMENT INFORMATION

The Group is currently organised into several operating divisions: financial leasing, financing and project financing and consultancy. 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 divisions, which constitute separate operating and reportable segments for financial reporting purposes:

- (a) Provision of financial leasing service; and
- (b) Provision of financing service including financing, project financing and consultancy service.

Operations regarding financing (previously part of the financing service segment) and provision of loan guarantee service (previously a separate reportable segment) were discontinued during the prior year, and are described in more detail in Note 12. The segment information in respect of continuing operations is reported below.

The accounting policies of the reportable and operating 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 2013

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 March 2013

Continuing operations

| | Financial leasing service HK\$'000 (Note a) | Financing service HK\$'000 (Note b) | Total HK\$'000 |
|--|---|--|-------------------|
| Revenue from customers (Note c) | 181,818 | 55,708 | 237,526 |
| Segment results | 83,878 | 16,202 | 100,080 |
| Investment income | | | 15,252 |
| Change in fair values of financial liabilities | | | 10,071 |
| Unallocated corporate income and expenses: | | | |
| – other administrative income and expenses | | | (31,422) |
| – net exchange gain | | | 60 |
| Other finance costs | | | (414) |
| Share of profit of a jointly controlled entity | | | 81,962 |
| Profit before taxation (continuing operations) | | | 175,589 |

For the year ended 31 March 2012

Continuing operations

| | Financial leasing service HK\$'000 (Note a) | Financing service HK\$'000 (Note b) | Total HK\$'000 |
|--|---|--|-------------------|
| Revenue from customers (Note c) | 100,112 | 24,724 | 124,836 |
| Segment results | 31,521 | (36,058) | (4,537) |
| Investment income | | | 7,018 |
| Change in fair values of financial liabilities | | | (5,715) |
| Unallocated corporate income and expenses: | | | |
| – other administrative income and expenses | | | (34,334) |
| – net exchange loss | | | (19,337) |
| Other finance costs | | | (360) |
| Share of profit of a jointly controlled entity | | | 16,056 |
| Loss before taxation (continuing operations) | | | (41,209) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Segment results represent the profit earned by each segment without allocation of central administration costs, investment income, change in fair values of financial liabilities, other finance costs and share of profit of a jointly controlled entity. This is the measure reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Notes:

- a) Included in segment results from financial leasing service segment are direct finance costs of HK\$85,562,000 (2012: HK\$58,133,000).
- b) Included in segment results from financing service segment is a non-cash expense relating to the adjustment to the carrying amount of a loan to a jointly controlled entity of HK\$39,506,000 (2012: impairment loss on loans receivable of HK\$60,782,000).
- c) There is no inter-segment revenue for both years.

Segment assets and liabilities

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

As at 31 March 2013

| | Financial leasing service HK\$'000 | Financing service HK\$'000 | Unallocated HK\$'000 | Total HK\$'000 |
|--|---|----------------------------------|-------------------------|-------------------------|
| Assets | | | | |
| Segment assets | 1,670,489 | 672,505 | – | 2,342,994 |
| Interest in a jointly controlled entity | | | | 1,149,846 |
| Unallocated assets | | | | <u>614,353</u> |
| Total assets | | | | <u>4,107,193</u> |
| Liabilities | | | | |
| Segment liabilities | 1,435,519 | – | – | 1,435,519 |
| Unallocated liabilities | | | | <u>334,825</u> |
| Total liabilities | | | | <u>1,770,344</u> |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Expenditure for reportable segment | | | | |
| non-current assets | 601 | – | 729 | 1,330 |
| Adjustment to the carrying amount of a loan to a jointly controlled entity | – | 39,506 | – | 39,506 |
| Depreciation of equipment | 738 | – | 521 | 1,259 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

As at 31 March 2012

| | Financial leasing service HK\$'000 | Financing service HK\$'000 | Unallocated HK\$'000 | Total HK\$'000 |
|---|---|----------------------------------|-------------------------|-------------------|
| Assets | | | | |
| Segment assets | 1,241,282 | 671,515 | – | 1,912,797 |
| Interest in a jointly controlled entity | | | | 1,068,038 |
| Unallocated assets | | | | <u>612,327</u> |
| Total assets | | | | <u>3,593,162</u> |
| Liabilities | | | | |
| Segment liabilities | 1,067,495 | – | – | 1,067,495 |
| Unallocated liabilities | | | | <u>347,388</u> |
| Total liabilities | | | | <u>1,414,883</u> |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Expenditure for reportable segment | | | | |
| non-current assets | 495 | – | 1,010 | 1,505 |
| Impairment loss on loans receivable | – | 60,782 | – | 60,782 |
| Depreciation of equipment | 364 | – | 486 | 850 |

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 a jointly controlled entity, 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, liabilities under shareholders' agreements, 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 2013

6. SEGMENT INFORMATION (continued)

Geographical information

Revenue from continuing operations reported above represents income generated from external customers in China of HK\$181,818,000 (2012: HK\$100,112,000) and income generated from a jointly controlled entity outside China of HK\$55,708,000 (2012: HK\$24,724,000).

As at 31 March 2013, non-current assets other than financial instruments and interest in a jointly controlled entity of HK\$1,336,000 (2012: HK\$790,000) were located in China. The remaining non-current assets other than financial instruments and interest in a jointly controlled entity of HK\$919,000 (2012: HK\$1,394,000) were located outside China.

Information about major customers

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Customer A in the financing service segment | 55,708 | 24,724 |
| Customer B in the financial leasing service segment | 39,992 | – |
| | 95,700 | 24,724 |

7. DIRECT FINANCE COSTS

Continuing operations

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Interest on borrowings wholly repayable within five years | 62,675 | 48,580 |
| Guarantee fee paid to a jointly controlled entity | 3,472 | 2,229 |
| Imputed interest expense on interest-free deposits from finance lease customers | 19,415 | 7,324 |
| | 85,562 | 58,133 |

8. OTHER FINANCE COSTS

Continuing operations

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Imputed interest on redeemable convertible preference shares | 414 | 360 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

9. PROFIT (LOSS) BEFORE TAXATION

Continuing operations

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Profit (loss) before taxation has been arrived at after charging: | | |
| Salaries, allowances and other staff benefits | 21,519 | 21,695 |
| Staff's retirement benefit scheme contributions | 283 | 263 |
| Equity-settled share-based payment expenses | 5,188 | 6,991 |
| Total staff costs (including directors' remuneration) | 26,990 | 28,949 |
| Auditor's remuneration | 1,543 | 1,191 |
| Depreciation of equipment | 1,259 | 850 |
| Operating lease rentals in respect of properties | 2,864 | 2,616 |
| Net exchange loss (included in other operating expenses) | – | 19,337 |
| and after crediting: | | |
| Net exchange gain (included in other income) | 60 | – |
| Interest income from bank deposits (included in other income) | 15,252 | 7,018 |

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

The remuneration of each director for the year ended 31 March 2013 is set out below:

| | Directors' fees HK\$'000 | Salaries, allowances and benefits HK\$'000 | Retirement benefit scheme contributions HK\$'000 | Discretionary bonus HK\$'000 | Share-based payments HK\$'000 | Total HK\$'000 |
|--|-----------------------------|---|---|---------------------------------|----------------------------------|-------------------|
| <u>Executive directors</u> | | | | | | |
| Mr. Wang Jun | – | 1,440 | – | 1,000 | – | 2,440 |
| Mr. Wong Yu Lung, Charles | – | 1,476 | 14 | 120 | 1,967 | 3,577 |
| Mr. Ding Chung Keung | – | 1,570 | 14 | 5,000 | 1,967 | 8,551 |
| Mr. Kee Wah Sze (Note a) | – | 540 | 12 | – | 46 | 598 |
| Mr. Xie Xiao Qing (Note b) | – | 203 | – | – | – | 203 |
| Ms. Wong, Michelle Yatyee | – | 760 | 14 | 800 | 532 | 2,106 |
| Mr. Melvin Jitsumi Shiraki (Note c) | – | 960 | – | 80 | 72 | 1,112 |
| <u>Independent non-executive directors</u> | | | | | | |
| Mr. Cheng Yuk Wo | 120 | – | – | – | 124 | 244 |
| Mr. Ma Ho Fai SBS JP | 120 | – | – | – | 72 | 192 |
| Mr. Ng Chi Keung MH | 120 | – | – | – | – | 120 |
| Total | 360 | 6,949 | 54 | 7,000 | 4,780 | 19,143 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

The remuneration of each director of the year ended 31 March 2012 is set out below:

| | Directors' fees HK\$'000 | Salaries, allowances and benefits HK\$'000 | Retirement benefit scheme contributions HK\$'000 | Discretionary bonus HK\$'000 | Share-based payments HK\$'000 | Total HK\$'000 |
|--|-----------------------------|---|---|---------------------------------|----------------------------------|-------------------|
| <u>Executive directors</u> | | | | | | |
| Mr. Wang Jun | – | 1,440 | – | 1,000 | – | 2,440 |
| Mr. Wong Yu Lung, Charles | – | 1,440 | 12 | 120 | 2,763 | 4,335 |
| Mr. Ding Chung Keung | – | 1,700 | 12 | 6,000 | 2,763 | 10,475 |
| Mr. Kee Wah Sze (Note a) | – | 860 | 12 | – | 61 | 933 |
| Mr. Xie Xiao Qing (Note b) | – | 1,001 | 15 | – | – | 1,016 |
| Ms. Wong, Michelle Yatyee | – | 720 | 12 | 800 | 533 | 2,065 |
| Mr. Melvin Jitsumi Shiraki (Note c) | – | 240 | – | – | 18 | 258 |
| <u>Independent non-executive directors</u> | | | | | | |
| Mr. Cheng Yuk Wo | 120 | – | – | – | 152 | 272 |
| Mr. Ma Ho Fai SBS JP | 120 | – | – | – | 72 | 192 |
| Mr. Melvin Jitsumi Shiraki (Note c) | 45 | – | – | – | 54 | 99 |
| Mr. Ng Chi Keung MH | 40 | – | – | – | – | 40 |
| Total | 325 | 7,401 | 63 | 7,920 | 6,416 | 22,125 |

Notes:

- Mr. Kee Wah Sze resigned from executive director of the Company with effect from 31 December 2012.
- Mr. Xie Xiao Qing resigned from executive director of the Company with effect from 21 December 2012.
- Mr. Melvin Jitsumi Shiraki was re-designated from an independent non-executive director to an executive director of the Company with effect from 1 January 2012.
- The discretionary bonus is determined with reference to the operating results and the individual's performance in each year.
- 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:

Of the five highest paid individuals in the Group, five (2012: four) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emolument of the remaining individual was as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Salaries, allowances and other staff benefits | – | 912 |
| Staff's retirement benefit schemes contributions | – | 12 |
| Equity-settled share-based payment expenses | – | 70 |
| Discretionary bonus | – | 171 |
| | – | 1,165 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

11. TAXATION

Continuing operations

| | 2013 HK\$'000 | 2012 HK\$'000 |
|----------------------------------|------------------|------------------|
| The charge comprises: | | |
| Current tax | | |
| Enterprise Income Tax in China | | |
| – Provision for the current year | 22,181 | 8,750 |
| – Underprovision in prior year | 40 | 29 |
| | 22,221 | 8,779 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Profit (loss) before taxation (from continuing operations) | 175,589 | (41,209) |
| Tax at the domestic income tax rate in China of 25% (2012: 25%) | 43,897 | (10,302) |
| Tax effect of share of profit of a jointly controlled entity | (20,491) | (4,014) |
| Tax effect of income not taxable for tax purposes | (19,766) | (10,314) |
| Tax effect of expenses not deductible for tax purposes | 12,531 | 26,953 |
| Tax effect of tax losses not recognised | 6,372 | 6,532 |
| Underprovision in prior year | 40 | 29 |
| Others | (362) | (105) |
| Taxation charge for the year (relating to continuing operations) | 22,221 | 8,779 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

12. DISCONTINUED OPERATIONS

On 24 August 2011, a sale and purchase agreement and two subscription agreements were entered into between, among others, Perfect Honour Limited (“Perfect Honour”), a wholly owned subsidiary of the Company, an independent third party investor (the “Investor”), Rongzhong Group Limited (“Rongzhong Group”) and Rongzhong Capital Holdings Limited (“Rongzhong Capital”), which together with Rongzhong Group were non-wholly owned subsidiaries of the Company, involving the introduction of the Investor to invest in Rongzhong Group and Rongzhong Capital (the “Introduction”) for the purpose of providing additional working capital to both Rongzhong Group and Rongzhong Capital for further business operation development. The Introduction was completed on 26 October 2011 (the “Completion of Introduction”) and the total investment amount paid by the Investor pursuant to the Introduction was US\$154.8 million (equivalent to HK\$1,207.4 million) of which US\$39.15 million (equivalent to HK\$305.4 million) was paid to the Group. Details of the Introduction were disclosed in the circular dated 23 September 2011 (the “2011 Circular”) issued by the Company.

To facilitate the Introduction, the Group effected the pre-completion reorganisation which included, among others, the acquisition of Rongzhong Capital from Rongzhong Group by Perfect Honour and the non-controlling interests in proportion to their respective shareholding interests in Rongzhong Group prior to the Completion of Introduction.

After the Completion of Introduction:

- Rongzhong Group and its subsidiaries (collectively the “Disposal Group”) became 40% owned by the Group. Its financial results and position were deconsolidated from and then accounted for as a jointly controlled entity using equity method in the consolidated financial statements of the Group.
- Rongzhong Capital and its subsidiaries, which carry out the financial leasing business of the Group, became 50.055% owned by the Group and continued to be consolidated in the consolidated financial statements of the Group.

The operations regarding financing and provision of loan guarantee service carried out by the Disposal Group have been treated as discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

12. DISCONTINUED OPERATIONS (continued)

Profit for the year from discontinued operations

| | For the period from 1 April 2011 to 26 October 2011 HK\$'000 |
|---|---|
| Revenue | 140,342 |
| Other income | 5,428 |
| Staff costs | (18,299) |
| Other operating expenses | (25,917) |
| Other finance costs | (5,548) |
| Share of loss of an associate | (761) |
| Profit before taxation | 95,245 |
| Taxation | (24,521) |
| Profit from financing and provision of loan guarantee service operations | 70,724 |
| Gain on disposal of subsidiaries (<i>Note 32</i>) | 501,634 |
| Profit for the year from discontinued operations | 572,358 |
| Profit for the year from discontinued operations attributable to: | |
| Owners of the Company | 562,599 |
| Non-controlling interests | 9,759 |
| | 572,358 |
| Profit for the year from discontinued operations included the following: | |
| Interest on bank borrowings | 5,548 |
| Allowance for bad and doubtful debts | 15,362 |
| Amortisation of intangible assets | 264 |
| Auditor's remuneration | 874 |
| Directors' remuneration | 1,173 |
| Depreciation of equipment | 1,738 |
| Exchange gain | (17,788) |
| Gain on disposal of equipment | (2,283) |
| Interest income from bank deposits | (1,209) |
| Operating lease charges in respect of properties | 5,416 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

12. DISCONTINUED OPERATIONS (continued)

Cash flows from discontinued operations

| | For the period from 1 April 2011 to 26 October 2011 HK\$'000 |
|---------------------------------------|---|
| Net cash used in operating activities | (113,838) |
| Net cash used in investing activities | (15,981) |
| Net cash from financing activities | 27,920 |
| Net cash outflows | (101,899) |

The carrying amounts of the assets and liabilities of the Disposal Group on the date of disposal are disclosed in Note 32.

13. DIVIDEND

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Dividends recognised as distribution and paid during the year: | | |
| Final dividends of nil cent per share in respect of the year ended 31 March 2012 (2012: In respect of the year ended 31 March 2011 of HK2 cents per share) | - | 55,211 |

Subsequent to the end of the reporting period, a final dividend of HK1.5 cents (2012: nil) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

14. EARNINGS (LOSS) PER SHARE

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Earnings: | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company) | 119,884 | 500,813 |
| Number of shares: | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,745,013 | 2,760,053 |
| Effect of dilutive potential ordinary shares: Share options | 2,680 | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 2,747,693 | 2,760,053 |

The computation of diluted earnings per share for the year ended 31 March 2012 did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in decrease in loss per share from continuing operations in the prior year.

From continuing operations

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Earnings (loss) figures are calculated as follows: | | |
| Profit for the year attributable to owners of the Company | 119,884 | 500,813 |
| Less: Profit for the year from discontinued operations attributable to owners of the Company (<i>Note 12</i>) | – | (562,599) |
| Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations | 119,884 | (61,786) |

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

From discontinued operations

For the year ended 31 March 2012, basic and diluted earnings per share for discontinued operations was HK20.38 cents per share, based on the profit for the year from discontinued operations attributable to owners of the Company of HK\$562,599,000 and the denominators detailed above for both basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

15. EQUIPMENT

| | Furniture, fixtures and other fixed assets | |
|--|---|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| THE GROUP COST | | |
| At 1 April | 6,587 | 22,372 |
| Exchange adjustments | – | 846 |
| Additions | 1,330 | 9,482 |
| Disposals | (4) | (3,771) |
| Derecognised upon disposal of subsidiaries (Note 32) | – | (22,342) |
| At 31 March | 7,913 | 6,587 |
| ACCUMULATED DEPRECIATION | | |
| At 1 April | 4,403 | 15,621 |
| Exchange adjustments | – | 550 |
| Charge for the year | 1,259 | 2,588 |
| Eliminated on disposals | (4) | (3,362) |
| Derecognised upon disposal of subsidiaries (Note 32) | – | (10,994) |
| At 31 March | 5,658 | 4,403 |
| NET CARRYING VALUES | | |
| At 31 March | 2,255 | 2,184 |
| THE COMPANY COST | | |
| At 1 April | 5,073 | 3,927 |
| Exchange adjustments | – | 145 |
| Additions | 22 | 1,010 |
| Disposal | (4) | (9) |
| At 31 March | 5,091 | 5,073 |
| ACCUMULATED DEPRECIATION | | |
| At 1 April | 3,679 | 3,101 |
| Exchange adjustments | – | 123 |
| Charge for the year | 497 | 464 |
| Eliminated on disposal | (4) | (9) |
| At 31 March | 4,172 | 3,679 |
| NET CARRYING VALUES | | |
| At 31 March | 919 | 1,394 |

The above items of equipment are depreciated on a straight line basis at the rates of 20% to 33½% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

16. INTEREST IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

| | THE COMPANY | |
|-------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Unlisted shares, at cost | 1 | 1 |
| Deemed capital contributions | 104,750 | 15,752 |
| | 104,751 | 15,753 |
| Impairment losses recognised | (15,752) | (15,752) |
| | 88,999 | 1 |
| Amounts due from subsidiaries | | |
| – non-current | 598,798 | – |
| – current | 132,029 | 585,935 |
| | 730,827 | 585,935 |

Particulars of the principal subsidiaries as at 31 March 2013 and 31 March 2012 are set out in Note 38.

As at 31 March 2013, impairment loss of HK\$15,752,000 (2012: HK\$15,752,000) had been made for the deemed capital contribution since the cost of the unlisted shares was considered as non-recoverable.

The amounts due from subsidiaries are denominated in Hong Kong dollars, unsecured, interest free and repayable on demand.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY/LOANS TO A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

| | THE GROUP | |
|---|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Cost of investment in a jointly controlled entity, unlisted | 1,051,440 | 1,051,440 |
| Share of post acquisition profit, net of dividends received | 98,018 | 16,056 |
| | 1,149,458 | 1,067,496 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

17. INTEREST IN A JOINTLY CONTROLLED ENTITY/LOANS TO A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY (continued)

Particulars of the jointly controlled entity as at 31 March 2013 and 2012 are as follows:

| Name of jointly controlled entity | Form of business structure | Place of incorporation and operation | Particulars of issued and paid up capital | | Effective ownership interest indirectly held by the Company | | Proportion of voting power held by the Group | | Principal activity |
|-----------------------------------|----------------------------|--------------------------------------|---|---------|---|----------------|--|------|--------------------|
| | | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| | | | Rongzhong Group Limited (Note) | Limited | British Virgin Islands/China | US\$34,275,000 | US\$34,275,000 | 40% | |

Note: In accordance with the shareholders' agreements, the strategic financial and operating decision relating to Rongzhong Group require the unanimous consent among the shareholders. Hence Rongzhong Group is classified as a jointly controlled entity.

Summarised financial information of the jointly controlled entity

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Total assets | 2,600,451 | 2,449,014 |
| Total liabilities | (1,102,721) | (1,178,526) |
| Net assets attributable to the owners of the jointly controlled entity | 1,497,730 | 1,270,488 |
| Group's share of net assets of the jointly controlled entity | 599,092 | 508,195 |
| Revenue | | |
| – continuing operations | 455,657 | 136,964* |
| Profit for the year | | |
| – continuing operations | 226,860 | 40,140* |
| Group's share of results of the jointly controlled entity for the year | | |
| – continuing operations | 81,962 | 16,056 |

* The results of Rongzhong Group were included from the date it became a jointly controlled entity of the Group up to 31 March 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

17. INTEREST IN A JOINTLY CONTROLLED ENTITY/LOANS TO A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY (continued)

As at 31 March 2013, the loans to the jointly controlled entity of HK\$75,062,000 bearing a fixed interest rate of 10% per annum, and HK\$173,272,000 bearing a fixed interest rate of 3% per annum, were unsecured and expected to be repaid within one year while the remaining loan of HK\$424,171,000 bearing a fixed interest rate of 5% per annum, which was reduced from 10% per annum on 26 October 2011 pursuant to the terms of the Introduction with details disclosed in the 2011 Circular, was unsecured and not expected to be repaid within one year. With respect to the loan of HK\$424,171,000, the carrying amount was written down by HK\$39,506,000 on 30 September 2012 as a result of the change of expected repayment date to 2015 and was discounted at interest rate of 10% per annum.

As at 31 March 2012, the loans to the jointly controlled entity of HK\$77,762,000 bearing a fixed interest rate of 10% per annum, HK\$173,272,000 bearing a fixed interest rate of 3% per annum, and HK\$420,481,000 bearing a fixed interest rate of 5% per annum, were unsecured and would not be repaid within one year.

As at 31 March 2013, the amount due from a jointly controlled entity was HK\$388,000 (2012: HK\$542,000) which was unsecured, interest free and repayable within one year.

At 31 March 2013, the management of the Group carried out impairment review on the entire carrying amount of its interest in the jointly controlled entity as a single asset by comparing its recoverable amount using value in use with its carrying amount. In determining the value in use of the investments, the Group estimated the present value of the estimated future cash flows expected to be generated by the jointly controlled entity, including cash flows from the operations of the jointly controlled entity and proceeds on the ultimate disposal of the investment at a discount rate of 18% (2012: 17%). Based on the assessments, the recoverable amount of the interests in the jointly controlled entity exceeded their entire carrying amount. Hence, no impairment on the interests in the jointly controlled entity is considered necessary.

18. 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 | |
|--|------------------------|------------------|---|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Finance leases receivable comprise: | | | | |
| Within one year | 778,974 | 634,104 | 661,100 | 525,662 |
| In more than one year but not more than five years | 1,068,135 | 755,244 | 982,322 | 689,796 |
| | 1,847,109 | 1,389,348 | 1,643,422 | 1,215,458 |
| Less: Unearned finance income | (203,687) | (173,890) | | |
| Present value of minimum lease payment | 1,643,422 | 1,215,458 | | |
| Analysed for reporting purposes as: | | | | |
| Current assets | | | 661,100 | 525,662 |
| Non-current assets | | | 982,322 | 689,796 |
| | | | 1,643,422 | 1,215,458 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

18. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS (continued)

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 range from 6.1% to 25.7% (2012: 10.8% to 35.2%) per annum.

Finance leases receivable are mainly secured by leased assets which are used in laser processing, plastics, industrial processing, textile and garment industries, customers' deposits and leased assets repurchase arrangement where applicable. As at 31 March 2013, finance leases receivable of HK\$164,204,000 (2012: nil) were past due but not impaired and the customers' deposits of HK\$363,517,000 (2012: HK\$226,193,000) were repayable by end of lease period. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both years.

The following is an ageing analysis of finance leases receivable which are past due but not impaired:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Less than one month | 6 | — |
| More than one month but less than three months | 164,198 | — |
| | 164,204 | — |

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 March 2013, an aggregate carrying amount of HK\$164,204,000 (2012: nil) was past due but the Group has not provided for impairment loss as management considered there has not been a significant change in credit quality for these customers.

19. 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 2013

20. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the financial leasing service in China. The security deposits carry interest at prevailing market rates of 0.35% (2012: 0.50%) per annum.

21. 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 3.05% and 0.001% to 2.95% (2012: 0.001% to 3.05% and 0.001% to 3.05%) 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 | |
|----------------------|----------|-----------|----------|-------------|----------|
| | | 2013 | 2012 | 2013 | 2012 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong dollar | HKD | 53,844 | 77,855 | 49,475 | 75,418 |
| United States dollar | USD | 16,046 | 15,813 | 15,848 | 15,612 |

22. DEFERRED INCOME

| | THE GROUP | |
|-------------|-----------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Current | 20,859 | 14,048 |
| Non-current | 20,136 | 19,917 |
| | 40,995 | 33,965 |

Deferred income from the financial leasing business is amortised and recognised as revenue using effective interest method over the lease period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

23. BANK BORROWINGS

| | THE GROUP | |
|--|-----------|-----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Bank loans | 1,020,831 | 796,389 |
| Secured | 994,905 | 716,391 |
| Unsecured | 25,926 | 79,998 |
| | 1,020,831 | 796,389 |
| Carrying amount repayable*: | | |
| Within one year | 355,631 | 372,718 |
| More than one year, but not exceeding two years | 123,854 | 283,841 |
| More than two years, but not exceeding five years | 439,371 | 139,830 |
| | 918,856 | 796,389 |
| Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | 101,975 | – |
| | 1,020,831 | 796,389 |
| Less: amounts shown under current liabilities | (457,606) | (372,718) |
| | 563,225 | 423,671 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 March 2013, the Group's bank borrowings of HK\$793,683,000 (2012: HK\$796,389,000) are variable-rate borrowings which carry annual interest at the range of 100% to 130% (2012: 100% to 120%) of the rate offered by the People's Bank of China ("PBOC"). The remaining balance of HK\$227,148,000 (2012: nil) was fixed-rate borrowings which carry annual interest at the rate of 6.15% to 6.65% per annum.

The Group's bank borrowings of RMB805,873,000 equivalent to HK\$994,905,000 (2012: RMB580,277,000 equivalent to HK\$716,391,000) are granted by several banks in China and secured by charges over certain finance leases receivable of the Group with an aggregate carrying value of HK\$1,261,670,000 (2012: HK\$851,725,000).

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 2013

24. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS

| | THE GROUP | |
|----------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Current | | |
| Call option | 7,948 | 5,583 |
| Non-current | | |
| Provision for share subscription | 284,387 | 298,922 |
| Estimated liability | 17,000 | 14,901 |
| Performance target | – | – |
| | 301,387 | 313,823 |
| Total | 309,335 | 319,406 |

As a result of the Introduction, the Group, on 26 October 2011, entered into two shareholders' agreements pursuant to which the following financial instruments in relation to the Group were issued. Definitions of the capitalised terms and other details are set forth in the 2011 Circular.

Call option

Pursuant to the terms of the shareholders' agreements, a call option (the "Call Option") was granted to Mr. Xie Xiao Qing ("Mr. Xie"), a former executive director of the Company, to purchase 342,500 shares of Rongzhong Group from Perfect Honour before completion of a proposed event, but in any event no later than 31 December 2015, at a price per share equal to (I) the price per share of Rongzhong Group under the Xie's S&P agreement plus (II) an interest of 6% per annum, compounded annually, on the price per share of Rongzhong Group under the Xie's S&P agreement from 26 October 2011 to the exercise date.

As at 31 March 2013, the fair value of the Call Option was derived at after taking into consideration the expected completion date of a proposed event, the underlying business value of Rongzhong Group and the adoption of the Black-Scholes model with the following details.

| Date of valuation | 31 March 2013 | 31 March 2012 |
|--|---------------|---------------|
| Fair value at measurement dates (HK\$) | 7,948,000 | 5,583,000 |
| Exercise price (HK\$) | 82.03 | 70.90 |
| Underlying share price (HK\$) | 84.26 | 78.21 |
| Expected volatility | 40.452% | 40.129% |
| Expected dividends | – | – |
| Risk-free interest rate (based on Hong Kong Exchange Fund Notes) | 0.217% | 0.167% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

24. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

Provision for share subscription

Pursuant to the terms of the shareholders' agreements, Perfect Honour has undertaken to, subject to the happening of any one of the two triggering events as set forth in the 2011 Circular, subscribe additional shares of Rongzhong Group at a subscription price of HK\$315,240,000 (the "Share Subscription").

As at 31 March 2013, the fair value of the provision for the Share Subscription was measured based on the discounted cash flow method with the following details:

| Date of valuation | 31 March 2013 | 31 March 2012 |
|---|-------------------------|------------------|
| Fair value at measurement dates (HK\$) | 284,387,000 | 298,922,000 |
| Expected date of a triggering event to occur | 31 December 2015 | 31 December 2013 |
| Subscription price (HK\$) | 315,240,000 | 315,240,000 |
| Discount rate (prevailing market lending rate in Hong Kong) | 4.684% | 4.344% |

Estimated liability

Pursuant to the terms of the shareholders' agreements, the Investor may, subject to the happening of a triggering event as set forth in the 2011 Circular by 31 December 2015, request Perfect Honour and the non-controlling interests either (I) to immediately fulfill their respective obligations for the Share Subscription; or (II) at their sole and absolute discretion jointly elect to either purchase or procure Rongzhong Group and/or Rongzhong Capital to redeem all their respective shares of Rongzhong Group and/or Rongzhong Capital owned by the Investor resulting from the Introduction at a price equal to the Investor's investment cost plus the higher of (a) 12% on such investment cost and (b) the undistributed profits of Rongzhong Group and Rongzhong Capital attributable to the Investor, and, in the case of redemption of shares of Rongzhong Group, minus the consideration paid, if any, by Mr. Xie to the Investor as a result of the exercise of a call option granted by the Investor to Mr. Xie under the shareholders' agreements.

As at 31 March 2013, the fair value of the estimated liability attributable to the Group with respect to (II) (a) was measured based on the discounted cash flow method with the following details:

| Date of valuation | 31 March 2013 | 31 March 2012 |
|---|--------------------|---------------|
| Fair value at measurement dates (HK\$) | 17,000,000 | 14,901,000 |
| Probability of the triggering event to occur | 20% | 20% |
| Time to extinguishment of the estimated liability | 3 years | 4 years |
| Investment return to the Investor (HK\$) | 102,397,000 | 102,528,000 |
| Discount rate (<i>Note</i>) | 6.568% | 8.283% |

Note: The discount rate is the sum of risk-free interest rate, credit spread and liquidity risk premium as at the date of valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

24. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

Performance target

Pursuant to the terms of the shareholders' agreements, the Investor may, subject to the happening of a triggering event on the operating results of the Disposal Group for the year ended 31 March 2013, request Perfect Honour and the non-controlling interests to procure Rongzhong Group and/or Rongzhong Capital to redeem all their respective shares of Rongzhong Group and/or Rongzhong Capital owned by the Investor resulting from the Introduction at a price equal to the Investor's investment cost plus an interest of 30% per annum, compounded annually, on the Investor's investment cost from 26 October 2011 to the date of such redemption, and, in the case of redemption of shares of Rongzhong Group, minus the consideration paid, if any, by Mr. Xie to the Investor as a result of the exercise of a call option granted by the Investor to Mr. Xie under the shareholders' agreements.

As at 31 March 2013, the triggering event on the operating results of the Disposal Group did not happen that would trigger the redemption of respective shares of Rongzhong Group and/or Rongzhong Capital owned by the Investor. Accordingly, no liability was recognised.

As at 31 March 2012, the management of the Group anticipated that, based on the expected business operation level of the Disposal Group, the probability of the triggering event to happen for the year ending 31 March 2013 would be remote. Accordingly, no liability was recognised for the prior year.

25. SHARE CAPITAL

| | Number of shares '000 | Amount HK\$'000 |
|--|--------------------------|--------------------|
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 1 April 2011, 31 March 2012 and 31 March 2013 | 25,000,000 | 2,500,000 |
| Issued and fully paid: | | |
| At 1 April 2011 | 2,760,563 | 276,056 |
| Shares repurchased and cancelled | (15,550) | (1,555) |
| At 31 March 2012 and 31 March 2013 | 2,745,013 | 274,501 |

During the year ended 31 March 2012, the Company repurchased its own shares through the Stock Exchange as follows:

| Month of repurchase | No. of ordinary shares of HK\$0.10 each '000 | Price per share | | Aggregate consideration paid HK\$'000 |
|---------------------|---|-----------------|----------------|--|
| | | Highest HK\$ | Lowest HK\$ | |
| February 2012 | 7,960 | 0.420 | 0.335 | 2,952 |
| March 2012 | 7,590 | 0.435 | 0.410 | 3,227 |
| | 15,550 | | | 6,179 |

The above shares were cancelled upon repurchase. None of the Company's subsidiaries has purchased, sold or redeemed any of the Company's listed securities during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

26. RESERVES

| | Share premium HK\$'000 | Investment 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 |
|---|------------------------------|--|--|--------------------------------|------------------------------------|---------------------------------|-------------------|
| THE COMPANY | | | | | | | |
| At 1 April 2011 | 552,581 | 3,000 | 43,394 | 6,000 | 90,758 | 206,567 | 902,300 |
| Exchange differences arising on translation | - | - | - | - | 42,089 | - | 42,089 |
| Loss for the year | - | - | - | - | - | (2,302) | (2,302) |
| Total comprehensive income (expenses) for the year | - | - | - | - | 42,089 | (2,302) | 39,787 |
| Dividends recognised as distribution | - | - | - | - | - | (55,211) | (55,211) |
| Repurchase of ordinary shares | (4,624) | - | - | - | - | - | (4,624) |
| Transaction costs attributable to repurchase of ordinary shares | (25) | - | - | - | - | - | (25) |
| Recognition of equity-settled share-based payments | - | - | 6,991 | - | - | - | 6,991 |
| At 31 March 2012 | 547,932 | 3,000 | 50,385 | 6,000 | 132,847 | 149,054 | 889,218 |
| Loss for the year and total comprehensive expenses for the year | - | - | - | - | - | (6,928) | (6,928) |
| Lapse of share options | - | - | (1,201) | - | - | 1,201 | - |
| Recognition of equity-settled share-based payments | - | - | 5,188 | - | - | - | 5,188 |
| At 31 March 2013 | 547,932 | 3,000 | 54,372 | 6,000 | 132,847 | 143,327 | 887,478 |

27. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

THE GROUP AND THE COMPANY

As at 31 March 2013, 68,400,000 (2012: 68,400,000) preference shares were in issue.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

28. DEFERRED TAXATION

THE GROUP

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

| | Tax allowance for liabilities from loan guarantee contracts over accounting allowance | Deferred income | Allowance for doubtful debts and bad debts written off | Total |
|---|--|----------------------------|---|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2011 | 34,759 | (11,361) | (10,514) | 12,884 |
| Exchange realignment | 1,321 | (310) | (438) | 573 |
| Debit (credit) to profit or loss | 914 | 3,468 | (1,309) | 3,073 |
| Derecognised upon disposal of subsidiaries (Note 32) | (36,994) | 8,203 | 12,261 | (16,530) |
| At 31 March 2012 and at 31 March 2013 | – | – | – | – |

At 31 March 2013, the Group had unrecognised tax losses of HK\$227,586,000 (2012: HK\$202,100,000) available to offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

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\$111,193,000 (2012: HK\$44,690,000) 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.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the accumulated profits of the jointly controlled entity in China amounting to HK\$98,018,000 (2012: HK\$16,056,000) 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 2013, the Company has unrecognised tax losses of HK\$225,613,000 (2012: HK\$201,043,000) 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 2013

29. 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 23, 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, repurchase of shares and new share issues.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | THE GROUP | | THE COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Financial assets | | | | |
| Finance leases receivable | 1,643,422 | 1,215,458 | – | – |
| Loans and receivables (including cash and cash equivalents) | 1,285,118 | 1,284,164 | 1,057,636 | 1,147,372 |
| Available-for-sale club debentures | 18,179 | 18,179 | 18,179 | 18,179 |
| Financial liabilities | | | | |
| Deposits from finance lease customers | 363,517 | 226,193 | – | – |
| Held for trading | 7,948 | 5,583 | – | – |
| Designated as at FVTPL | 301,387 | 313,823 | – | – |
| Amortised cost | 1,028,571 | 808,022 | 3,215 | 2,795 |

Financial risk management objectives and policies

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 2013

30. 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, including loans to a jointly controlled entity, short term bank deposits, bank balances, liabilities under shareholders' agreements and redeemable convertible preference shares at the reporting date were as follows:

| | Currency | Assets | | Liabilities | |
|----------------------|----------|------------------|------------------|------------------|------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Hong Kong dollar | HKD | 553,141 | 576,221 | 287,602 | 301,717 |
| United States dollar | USD | 16,067 | 15,898 | 17,000 | 14,901 |

THE COMPANY

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities, including short term bank deposits, bank balances, amounts due from subsidiaries and redeemable convertible preference shares at the reporting date are as follows:

| | Currency | Assets | | Liabilities | |
|----------------------|----------|------------------|------------------|------------------|------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Hong Kong dollar | HKD | 780,375 | 661,476 | 3,215 | 2,795 |
| United States dollar | USD | 15,869 | 15,697 | – | – |

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 2013

30. 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 an increase 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 for the year.

THE GROUP

| | USD impact | | HKD impact | |
|-------------------------------|------------|----------|------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Increase (decrease) in profit | 47 | (50) | (13,277) | (13,725) |

THE COMPANY

| | USD impact | | HKD impact | |
|--------------------|------------|----------|------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Decrease in profit | (793) | (785) | (38,858) | (32,934) |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

30. 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. The Group and the Company take on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risk. 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 also exposed to cash flow interest rate risk in relation to variable-rate finance leases receivable variable-rate bank deposits and bank balance and bank borrowings (see Notes 18, 21 and 23 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 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, security deposits, variable-rate bank deposits, bank balances 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 points (2012: 50 basis points) 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 points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2013 would increase/decrease by HK\$2,627,000 (2012: HK\$1,648,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate finance leases receivable, security deposits, variable-rate bank deposits, bank balances and bank borrowings.

THE COMPANY

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank deposits (see Note 21 for details of these financial instruments). For the year ended 31 March 2013 and 2012, no interest rate sensitivity is prepared for variable-rate bank deposits as the impact is not significant for the Company. 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.

In management's opinion, the sensitivity analyse is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 March 2013, the Company's maximum exposure to credit risk which may cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and loan guarantees provided by the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- the amount of contingent liabilities in relation to loan guarantee issued by the Company as disclosed in Note 35.

In order to minimise the credit risk in relation to finance leases receivable, 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 receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For loans to a jointly controlled entity and amount due from a jointly controlled entity, the management of the Group participates in daily operation of the jointly controlled entity. For loan guarantee issued by the Company to a subsidiary, the management had set up the credit limit. Any further extension of credit beyond the approved limit had to be approved by the directors of the Company. In this regard, the directors of the Company consider that the credit risk of the Group and the Company is significantly reduced.

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 to a jointly controlled entity, amount due from a jointly controlled entity and finance leases receivable (the "Receivables") as at 31 March 2013 included five major counterparties accounting for 45.0% (2012: 48.7%) of the Receivables. The Group has closely monitored the recoverability of the advances to these counterparties, ensure adequate collaterals are received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's concentration of industrial risk on finance leases receivable as at 31 March 2013 is mainly from the following customers' industries: laser processing, plastics, industrial processing, textile and garment and others which accounted for 9%, 11%, 40%, 10% and 30% (2012: 23%, 11%, 33%, 16% and 17%) of the financial leases receivable respectively. The Group has closely monitored the market trend of these industries in China and the business performance of its customers to ensure timely collection of finance leases receivable.

The Company's concentration of credit risk on receivables as at 31 March 2013 is mainly from the 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's 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 31.3.2013 HK\$'000 |
|---|--|--------------------------|-------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|---|--|
| 2013 | | | | | | | | | |
| Call option | - | 7,948 | - | - | - | - | - | 7,948 | 7,948 |
| Provision for share subscription | 4.68 | - | - | - | - | - | 315,240 | 315,240 | 284,387 |
| Estimated liability | 6.57 | - | - | - | - | - | 20,480 | 20,480 | 17,000 |
| Non-derivative financial liabilities | | | | | | | | | |
| Other payables | - | - | 4,538 | - | 28 | - | - | 4,566 | 4,566 |
| Bank borrowings (note) | 6.69 | 101,975 | 54,403 | 115,315 | 222,526 | 175,483 | 457,286 | 1,126,988 | 1,020,831 |
| Deposits from finance lease customers | 6.33 | - | 44,644 | 632 | 27,884 | 185,654 | 145,698 | 404,512 | 363,517 |
| Redeemable convertible preference shares | 13.97 | - | - | - | - | - | 684,000 | 684,000 | 3,174 |
| | | 109,923 | 103,585 | 115,947 | 250,438 | 361,137 | 1,622,704 | 2,563,734 | 1,701,423 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

30. 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 31.3.2012 HK\$'000 |
|---|--|--------------------------|-------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|---|--|
| 2012 | | | | | | | | | |
| Call option | - | 5,583 | - | - | - | - | - | 5,583 | 5,583 |
| Provision for share subscription | 4.34 | - | - | - | - | 315,240 | - | 315,240 | 298,922 |
| Estimated liability | 8.28 | - | - | - | - | - | 20,485 | 20,485 | 14,901 |
| Non-derivative financial liabilities | | | | | | | | | |
| Other payables | - | - | 8,873 | - | - | - | - | 8,873 | 8,873 |
| Loan guarantee contract | - | - | - | - | 62,963 | - | - | 62,963 | - |
| Bank borrowings (note) | 7.39 | - | 39,816 | 130,272 | 249,800 | 322,002 | 145,205 | 887,095 | 796,389 |
| Deposits from finance lease customers | 6.65 | - | - | - | 45,108 | 99,698 | 115,352 | 260,158 | 226,193 |
| Redeemable convertible preference shares | 13.97 | - | - | - | - | - | 684,000 | 684,000 | 2,760 |
| | | 5,583 | 48,689 | 130,272 | 357,871 | 736,940 | 965,042 | 2,244,397 | 1,353,621 |

Note: Bank loans with a repayment on demand clause are included in the "On demand" time band in the above maturity analysis. As at 31 March 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$101,975,000 (2012: nil). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid between one to three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$117,154,000.

The amount included in 2012 for loan guarantee contract represented the maximum amount that the Group could be required to pay if the guarantee was called upon in their entirety. As at 31 March 2012, the carrying amount of loan guarantee contract (determined based on expectations at the end of the reporting period) was nil. However, this estimate was 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 2013

30. 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 31.3.2013 HK\$'000 |
|---|--|--------------------------|-------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|---|--|
| 2013 | | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | | |
| Other payables | - | - | 41 | - | - | - | - | 41 | 41 |
| Loan guarantee contract | - | 61,796 | - | - | - | - | - | 61,796 | - |
| Redeemable convertible preference shares | 13.97 | - | - | - | - | - | 684,000 | 684,000 | 3,174 |
| | | 61,796 | 41 | - | - | - | 684,000 | 745,837 | 3,215 |

| | 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 31.3.2012 HK\$'000 |
|---|--|--------------------------|-------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|---|--|
| 2012 | | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | | |
| Other payables | - | - | 35 | - | - | - | - | 35 | 35 |
| Loan guarantee contract | - | - | - | - | 62,963 | - | - | 62,963 | - |
| Redeemable convertible preference shares | 13.97 | - | - | - | - | - | 684,000 | 684,000 | 2,760 |
| | | - | 35 | - | 62,963 | - | 684,000 | 746,998 | 2,795 |

The amount included above for loan guarantee contract represented the maximum amount that the Company could be required to pay if the guarantee was called upon in its entirety. As at 31 March 2013, the carrying amount of loan guarantee contract (determined based on expectations at the end of the reporting period) was nil (2012: nil). However, this estimate was 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 2013

30. FINANCIAL INSTRUMENTS (continued)

Fair value

The fair values of financial liabilities at fair value through profit or loss are determined based on generally accepted pricing models.

The directors of the Company 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 | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Available-for-sale financial assets | | |
| Club debentures | 18,179 | 18,179 |
| Total | 18,179 | 18,179 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

30. FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

| | THE GROUP | |
|--|----------------|----------|
| | Level 3 | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Financial liabilities as at FVTPL | | |
| Liabilities under shareholders' agreements (Note 24) | | |
| Call option | 7,948 | 5,583 |
| Provision for share subscription | 284,387 | 298,922 |
| Estimated liability | 17,000 | 14,901 |
| | 309,335 | 319,406 |

There were no transfers between Level 1 and 2 in the current and last years.

Reconciliation of Level 3 fair value measurements of financial liabilities (Note 24):

| | THE GROUP | | | |
|-------------------------|--------------|--|------------------------|----------------|
| | Level 3 | | | |
| | Call option | Provision for share subscription | Estimated liability | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Issued in October 2011 | 5,873 | 294,119 | 13,699 | 313,691 |
| Change in fair value | (290) | 4,803 | 1,202 | 5,715 |
| At 31 March 2012 | 5,583 | 298,922 | 14,901 | 319,406 |
| Change in fair value | 2,365 | (14,535) | 2,099 | (10,071) |
| At 31 March 2013 | 7,948 | 284,387 | 17,000 | 309,335 |

The change in fair value of HK\$10,071,000 (2012: HK\$5,715,000) was recognised in profit or loss in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

31. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

The Company operates the 2002 Share Option Scheme and the 2012 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, including the Company’s directors and other eligible participants of the Group. Key terms of the two share option schemes are as follows:

The maximum number of shares in the Company which may be issued upon exercise of all outstanding options granted but yet to be exercised under the 2002 Share Option Scheme, the 2012 Share Option Scheme and any other share option scheme shall not in aggregate exceed 30 percent of the issued share capital of the Company from time to time. The maximum number of shares in the Company that may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme, the 2012 Share Option Scheme and any other share option scheme must not in aggregate exceed 10 percent of the issued share capital of the Company as at the date of approval of the 2002 Share Option Scheme and the 2012 Share Option Scheme respectively.

The total number of shares issued and which may fall to be issued upon exercise of the options granted 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

31. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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 2013 under the 2002 Share Option Scheme is as follows:

| Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | |
|---|-------------------------|------------------------|--------------------------------|---------------------------|---------------------------------|
| | | | Outstanding at 1 April 2012 | Lapsed during the year | Outstanding at 31 March 2013 |
| 29/3/2007 | 29/3/2010 – 28/3/2017 | 0.256 | 16,000,000 | – | 16,000,000 |
| 17/8/2007 | 17/8/2010 – 16/8/2017 | 1.014 | 92,300,000 | (2,000,000) | 90,300,000 |
| 23/5/2008 | 23/5/2011 – 22/5/2018 | 0.692 | 5,100,000 | (500,000) | 4,600,000 |
| 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 | (300,000) | 1,900,000 |
| 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 | (1,800,000) | 83,350,000 |
| | | | 260,000,000 | (10,600,000) | 249,400,000 |
| | | | HK\$ | HK\$ | HK\$ |
| Weighted average exercise price per share | | | 0.636 | 0.499 | 0.642 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

31. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

| Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | |
|---------------|-------------------------|------------------------|--------------------------------|---------------------------|---------------------------------|
| | | | Outstanding at 1 April 2011 | Lapsed during the year | Outstanding at 31 March 2012 |
| 29/3/2007 | 29/3/2010 – 28/3/2017 | 0.256 | 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 |
| | | | 260,000,000 | – | 260,000,000 |
| | | | HK\$ | HK\$ | HK\$ |
| | | | 0.636 | – | 0.636 |

As at 31 March 2013, the Group had 166,050,000 (2012: 122,600,000) exercisable share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

31. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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 2012 | Lapsed during the year | Transferred out during the year* | Outstanding at 31 March 2013 |
| 29/3/2007 | 29/3/2010 – 28/3/2017 | 0.256 | 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 | (1,500,000) | – | 70,600,000 |
| | | | 216,700,000 | (1,500,000) | (16,000,000) | 199,200,000 |

| Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | |
|---------------|-------------------------|------------------------|--------------------------------|---------------------------|---------------------------------|
| | | | Outstanding at 1 April 2011 | Lapsed during the year | Outstanding at 31 March 2012 |
| 29/3/2007 | 29/3/2010 – 28/3/2017 | 0.256 | 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 |
| | | | 216,700,000 | – | 216,700,000 |

* These share options were held by an ex-director who remained an eligible employee during the year.

No share options were exercised during both years.

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.

The Group recognised total expenses of HK\$5,188,000 (2012: HK\$6,991,000) relating to share option payment transactions for the year ended 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

32. DISPOSAL OF SUBSIDIARIES

On 26 October 2011, the Group disposed of the Disposal Group which carried out the financing service and loan guarantee service businesses.

| | 26 October 2011 HK\$'000 |
|--|-----------------------------|
| Equipment | 11,348 |
| Interest in an associate | 73,052 |
| Goodwill | 103,686 |
| Intangible assets | 1,091 |
| Properties held for sale | 9,889 |
| Amount due from an associate | 14,360 |
| Accounts receivable and advances provided to customers | 1,353,424 |
| Prepayments, deposits and other receivable | 9,872 |
| Security deposits | 218,592 |
| Bank balances and cash | 45,010 |
| Assets disposed of | 1,840,324 |
| Other payables and accrued charges | 83,365 |
| Deposits from loan guarantee customers | 202,997 |
| Deferred income | 32,821 |
| Taxation | 46,319 |
| Bank borrowings – amount due within one year | 123,457 |
| Liabilities arising from loan guarantee contracts | 8,089 |
| Deferred taxation | 16,530 |
| Loans advanced by the Group to Rongzhong Group | 691,854 |
| Liabilities disposed of | 1,205,432 |
| Net assets disposed of | 634,892 |
| Gain on disposal of subsidiaries | |
| | 26 October 2011 HK\$'000 |
| Consideration received | 305,398 |
| Expenses incurred | (3,192) |
| Net consideration received | 302,206 |
| Investment in a jointly controlled entity | 1,051,440 |
| Net assets disposed of | (634,892) |
| Non-controlling interests | 159,384 |
| Adjustment arising from interest rate reduction from 10% to 5% on the shareholders' loan to Rongzhong Group | (42,813) |
| Call option | (5,873) |
| Provision for share subscription | (294,119) |
| Estimated liability | (13,699) |
| Tax provision | (20,000) |
| Gain on disposal (Note 12) | 501,634 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

32. DISPOSAL OF SUBSIDIARIES (continued)

The gain on disposal was included in the profit for the year ended 31 March 2012 from discontinued operations in the consolidated statement of comprehensive income (Note 12).

Net cash inflow from disposal of subsidiaries

| | 26 October 2011 |
|---|-----------------|
| | HK\$'000 |
| Consideration received in cash and cash equivalents | 305,398 |
| Less: legal and professional fees and expenses incurred | (3,192) |
| Less: cash and cash equivalent balances disposed of | (45,010) |
| | <u>257,196</u> |

33. LOANS RECEIVABLE

The Group has loans receivable from the borrowers pursuant to the two secured term loan facilities granted to finance a property development project in Zhuhai. During the year ended 31 March 2012, the borrowers failed to settle the amounts due in full by the agreed repayment dates. The Group has taken legal action against the borrowers for debt recovery. In view of the uncertainty of the outcome of the legal action and the realisation of the interest of the property development project, the only major asset known to be owned by the borrowers, the Group considered that the loans receivable were fully impaired as at 31 March 2012 and a full provision of HK\$60,782,000 was made accordingly during the year ended 31 March 2012. There is no movement in the impairment allowance in 2013.

34. OPERATING LEASE COMMITMENTS

As at 31 March 2013, the total future minimum lease payment under non-cancellable operating leases was 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 five years, with an option to renew the lease upon expiry when all terms are re-negotiated.

| | THE GROUP | | THE COMPANY | |
|--------------------------------------|------------|--------------|-------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Within one year | 322 | 2,677 | 184 | 2,215 |
| After one year but within five years | 288 | 322 | - | 184 |
| | <u>610</u> | <u>2,999</u> | <u>184</u> | <u>2,399</u> |

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35. CONTINGENT LIABILITIES

As at 31 March 2013, the Company had given a guarantee to a bank for the granting of a borrowing of not more than RMB100,000,000 (equivalent to HK\$123,457,000), which was fully utilised as at 31 March 2013 to a subsidiary of the Company. The guarantee provided by the Company was 50.055% of all sums payable by the borrower.

As at 31 March 2012, the Company had given a guarantee to a bank for the granting of a borrowing of not more than RMB100,000,000 (equivalent to HK\$123,457,000), which was fully utilised as at 31 March 2012 to a jointly controlled entity of the Group. The guarantee provided by the Company was 51% of all sums payable by borrower. The borrowing was fully repaid and the guarantee was released in September 2012.

No financial liability in relation to the loan guarantees given by the Company had been recognised as, in the opinion of the directors of the Company, the fair value of these guarantees at inception was not significant in both years.

36. 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 as specified in the rules. 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.

37. RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--------------------------|------------------|------------------|
| Short-term benefits | 14,309 | 15,646 |
| Post-employment benefits | 54 | 63 |
| Share-based payments | 4,780 | 6,416 |
| | 19,143 | 22,125 |

The details of the remuneration paid to the key management are set out in Note 10.

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For the year ended 31 March 2013

37. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Loan interest income received from a jointly controlled entity | 55,708 | 24,724* |
| Rental expense paid to a related company with common controlling shareholders | (2,215) | (2,434) |
| Guarantee fee paid to a jointly controlled entity | (3,472) | (2,229)* |
| Management fee income received from the associate | – | 1,438 |
| Rental expense paid to non-controlling shareholder of a subsidiary | – | (369) |
| Company secretarial services fees received from a subsidiary of a jointly controlled entity | 120 | 89* |
| Rental expense paid to a jointly controlled entity | (66) | (28)* |

* Amounts represent transactions with Rongzhong Group from the date it became a jointly controlled entity of the Group up to 31 March 2012.

38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2013 and 2012 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 |
|--|--------------------------------------|---|-----------|--|------|------------|------|---------------------------------|
| | | 2013 | 2012 | Directly | | Indirectly | | |
| | | | | 2013 | 2012 | 2013 | 2012 | |
| Birdsong Management Limited | British Virgin Islands/ Hong Kong | US\$1 | US\$1 | – | – | 100% | 100% | Provision of management service |
| Expert Link Investments Limited | British Virgin Islands/ Hong Kong | US\$1 | US\$1 | 100% | 100% | – | – | Provision of management service |
| Famous Apex Limited | British Virgin Islands/ Hong Kong | US\$1 | US\$1 | – | – | 100% | 100% | Provision of financing service |
| Glorious Triumph Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 100% | – | – | – | Investment holding |
| Goldbond Investment Group Limited (金榜投資集團有限公司) | Hong Kong | HK\$1,000 | HK\$1,000 | – | – | 100% | 100% | Investment holding |
| Goldbond Investment Group Holdings Limited (金榜投資集團控股有限公司) | British Virgin Islands/ Hong Kong | US\$1 | US\$1 | 100% | 100% | – | – | Investment holding |

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For the year ended 31 March 2013

38. 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 |
|---|--------------------------------------|---|----------------|--|------|------------|---------|--|
| | | 2013 | 2012 | Directly | | Indirectly | | |
| | | | | 2013 | 2012 | 2013 | 2012 | |
| Nanjing Excellent Link Consultancy Co. Ltd.* (南京卓領信息諮詢有限公司)** (formerly known as Nanjing Goldbond Consultancy Co. Ltd. (南京金榜信息諮詢有限公司)) | China | HK\$7,000,000 | HK\$5,000,000 | - | - | 100% | 100% | Provision of management service |
| Perfect Honour Limited | British Virgin Islands/ Hong Kong | US\$1 | US\$1 | 100% | 100% | - | - | Investment holding |
| Rongzhong Capital Holdings Limited (融眾資本集團有限公司) | British Virgin Islands/ Hong Kong | US\$100,000 | US\$100,000 | - | - | 50.055% | 50.055% | Investment holding |
| Rongzhong International Finance Lease Holdings Limited (融眾國際融資租賃集團有限公司) | Hong Kong | HK\$1 | HK\$1 | - | - | 50.055% | 50.055% | Investment holding |
| Rongzhong International Financial Leasing Co. Ltd.* (融眾國際融資租賃有限公司)* | China | US\$39,500,000 | US\$39,500,000 | - | - | 50.055% | 50.055% | Provision of financial leasing service |
| Royal Fortune Investment Limited (卓裕投資有限公司) | Hong Kong | HK\$1 | - | - | - | 100% | - | Investment holding |
| Solomon Glory Limited | British Virgin Islands/ Hong Kong | US\$1 | US\$1 | - | - | 100% | 100% | Provision of financing service |
| Yancheng Goldbond Technology Small Loan Company Limited* (鹽城市金榜科技小額貸款有限公司)** | China | US\$30,000,000 | - | - | - | 100% | - | Provision of financing service |

* a limited liability company established in China

** a wholly foreign-owned enterprise established in China

English translated name is for identification purpose only

On the date of the Completion of Introduction, Rongzhong Capital capitalised the shareholders' loan from its non-controlling interests of HK\$45,240,000 assigned by the Group during the year and received cash proceeds of US\$20,000,000, equivalent to HK\$156,000,000 from the Investor by new shares issue. Accordingly, the Group was deemed to dispose of 20.945% of its interest in Rongzhong Capital, reducing its continuing interest to 50.055%, and recognised a gain on deemed disposal of HK\$35,135,000 by transferring from non-controlling interests to capital reserve.

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

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39. EVENT AFTER THE REPORTING PERIOD

On 2 May 2013, Rongzhong Capital, entered into the subscription agreement with the subscribers, pursuant to which the subscribers conditionally agreed to subscribe for and Rongzhong Capital conditionally agreed to allot and issue the subscription shares, being 4,422 new Rongzhong Capital shares, at an aggregate consideration of US\$3.0 million (equivalent to approximately HK\$23.4 million). The subscription shares represent approximately 4.42% of the existing issued share capital of Rongzhong Capital and approximately 4.24% of the issued share capital of Rongzhong Capital as enlarged by the issue of the subscription shares.

Details of the subscription is set out in the Company's circular dated 24 May 2013.

On 21 June 2013, the above transaction was completed, the Company's equity interest in Rongzhong Capital has been reduced to approximately 47.94% and Rongzhong Capital has ceased to be a subsidiary of the Company. As at the date that these consolidated financial statements were authorised for issue, the directors of the Company are still evaluating the financial impact of this transaction to the Group.