



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

Stock Code: 00172

Annual Report 2013/14



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## BOARD OF DIRECTORS

### *Executive Directors*

Mr. Wang Jun (*Chairman*)  
Mr. Wong Yu Lung, Charles  
(*Deputy Chairman*)  
Mr. Ding Chung Keung, Vincent  
(*Chief Executive Officer*)  
Ms. Wong, Michelle Yatye  
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, Vincent

## NOMINATION COMMITTEE

Mr. Ng Chi Keung MH (*Chairman*)  
Mr. Cheng Yuk Wo  
Mr. Ding Chung Keung, Vincent

## 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  
China 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				
	2014 HK\$ Million	2013 HK\$ Million	2012 HK\$ Million	2011 HK\$ Million	2010 HK\$ Million
Revenue	115.4	237.5	265.2	286.8	306.1
Profit before taxation	150.5	175.6	*555.7	131.2	166.1
Taxation	(5.6)	(22.2)	(33.3)	(39.8)	(32.3)
Profit for the year	144.9	153.4	522.4	91.4	133.8
Other comprehensive income	43.6	–	55.3	79.4	–
Total comprehensive income for the year	188.5	153.4	577.7	170.8	133.8
Profit for the year attributable to:					
Owners of the Company	135.7	119.9	500.8	64.7	118.6
Non-controlling interests	9.2	33.5	21.6	26.7	15.2
	144.9	153.4	522.4	91.4	133.8
Total comprehensive income for the year attributable to:					
Owners of the Company	173.6	119.9	550.0	137.1	118.6
Non-controlling interests	14.9	33.5	27.7	33.7	15.2
	188.5	153.4	577.7	170.8	133.8
Dividend per Share (HK cents)	1.5	1.5	–	2.0	2.0

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

## ASSETS AND LIABILITIES

	As at 31 March				
	2014 HK\$ Million	2013 HK\$ Million	2012 HK\$ Million	2011 HK\$ Million	2010 HK\$ Million
Total assets	2,610.5	4,107.2	3,593.1	2,573.4	2,087.2
Total liabilities	(358.2)	(1,770.4)	(1,414.9)	(958.9)	(600.4)
Non-controlling interest	–	(220.7)	(187.2)	(154.0)	(121.5)
Equity attributable to owners of the Company	2,252.3	2,116.1	1,991.0	1,460.5	1,365.3
Net asset value per Share (HK cents)	82.1	77.1	72.5	52.9	49.7

## 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 2014 (the "Year").

In June 2013, Rongzhong Capital Holdings Limited ("Rongzhong Capital"), our principal platform for providing financial leasing services in the People's Republic of China ("China"), completed an issuance of new shares to its key management. As a result of such, our equity interest in Rongzhong Capital reduced to approximately 47.94% and Rongzhong Capital became our joint venture. With dedicated management and increased financial resources, the total carrying value of finance leases receivable reached HK\$1,722.2 million, up by approximately 5% from the year ended 31 March 2013.

In 2013, we took a major leap forward to bring "Goldbond" brand to China. Adhering to the needs of small-to-medium enterprises ("SMEs"), we increased the investment in the financing business and established a lending platform in Yancheng, Jiangsu Province, China. As a result of increased service capability, business volume and revenue achieved satisfactory growth. During the Year, the Group granted new loans of HK\$352.2 million and realised revenue of HK\$15.1 million through this new platform.

During the Year, the Group disposed of the entire interest in a wholly owned subsidiary engaged in the provision of financing service at HK\$29.3 million in relation to a property development project in Zhuhai, Guangdong Province, China. There was no gain or loss recognised for such disposal.

As at 31 March 2014, the equity attributable to owners of the Company increased by more than 6% from the beginning of the year and exceeded HK\$2,252.3 million. Profit for the Year attributable to the owners of the Company was HK\$135.7 million, representing a year on year increase of 13%.

### OUTLOOK

The increased SMEs activities and investments in the past decade have benefited the growth of non-bank financial business of the Group. Year 2013/14 was a challenging year for the Group. With the slowdown of economic growth, the SMEs financing market became unstable with higher default rate. As a result, a higher level of impairment allowances was experienced, especially for our joint ventures. In the years to come, China will face a complicated development environment with both favorable and adverse conditions. During the current period of economic restructuring, the downward pressure of the economic growth may further affect our business. However, China remains in its development stage which provides opportunities for the growth of the SMEs and our non-bank financial business in longer term. In December 2013, we obtained the license for carrying out commercial factoring and related advisory services in all part of China. Further expanding our product ranges, we would be able to consummate our one-stop service offered to SMEs and solidify our position as one of the major financial services provider in China. Also, as the sustainability and long term growth of our financial business rely on the ability to effectively manage the default risk of our loan portfolio, the Group will keep following a sound and prudent risk control policy.

Finally, on behalf of the board of directors and our management team, I would like to thank every shareholders, business partners and customers for their continued support and encouragement.

**Wong Yu Lung, Charles**  
*Deputy Chairman*

Hong Kong, 27 June 2014

**Mr. Wang Jun**, aged 73, 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 an independent non-executive director of China Communications Services Corporation Limited, a Company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**Mr. Wong Yu Lung, Charles**, aged 64, is the Deputy Chairman of the Company. He joined the Company in January 2003 and is responsible for corporate strategic planning of the Group. Mr. Wong has over thirty-three years of worldwide experience in the procurement and logistics of consumer products. He is an international entrepreneur of repute and was the president of Pacific Resources Export Limited (“Pacific Resources”). Pacific Resources had been the worldwide exclusive procurement agent for Wal-mart for twelve years until 2002, with annual turnover reaching approximately US\$6.5 billion. Throughout his years in operating Pacific Resources and twenty-nine branch offices spreading over the world including the United States of America (“U.S.A.”), South America, Central America, Indian Subcontinent, Middle East, Asia and Europe, Mr. Wong has accumulated valuable experience and profound knowledge, in particular, market mechanism and demand, manufacturing industry, financial market, capital investment and asset management.

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

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

**Mr. Ding Chung Keung, Vincent**, aged 44, 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.

**Ms. Wong, Michelle Yatyee**, aged 33, 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 68, 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 62, 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 53, 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 independent non-executive director of Chong Hing Bank Limited, C.P. Lotus Corporation, CPMC Holdings Limited, CSI Properties Limited, HKC (Holdings) Limited, Imagi International Holdings Limited, Liu Chong Hing Investment Limited and Top Spring International Holdings Limited, all being companies listed on the Stock Exchange.

**Mr. Ng Chi Keung** MH, aged 51, 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.

The Group engages principally in the provision of non-bank financial services to SMEs in China. The Group together with its joint ventures offer wide spectrum of services including financing, financial leasing, factoring and loan guarantee services.

### **Financing**

#### ***Small loan operation***

In view of the large demand for financing channel from SMEs and as part of the growth strategies, the Group took a major leap forward to invest in the small loan operation and established a lending platform in Yancheng, Jiangsu Province, China. 鹽城市金榜科技小額貸款有限公司 (“Yancheng Goldbond”) had an approved registered capital of US\$30 million, which had a competitive advantage in both operational scale and flexibility to cater different financial needs of SMEs, as the approved registered capital is directly related to the total capital available for granting loans and is the maximum size of individual loan and direct investment.

Yancheng Goldbond is authorised to offer, in addition to financing service, loan guarantee service, direct investment and other services approved by the provincial government, to its customers. The ability to provide a wider range of service is favorable to us as we would be able to reach out more potential customers.

Many SMEs turn to Yancheng Goldbond for short-term loans as our comprehensive products range and transparent and efficient loan approval process could serve their immediate liquidity needs. During the Year, the small loan operation achieved satisfactory growth, recorded advances provided to customers of HK\$116.8 million as at 31 March 2014 and realised revenue of HK\$15.0 million (2013: nil). With the awareness of our brand increased, it is expected that the small loan operation will bring a stable revenue stream to the Group.

#### ***Rongzhong facilities***

The Group has granted a revolving loan facility of up to HK\$900 million to Rongzhong Group Limited (“Rongzhong Group”). Part of the loan with a carrying amount of HK\$75.1 million as at 31 March 2013, bearing fixed interest rate of 10% per annum, was fully repaid during the Year. As at 31 March 2014, the remaining loan of HK\$466.6 million (2013: HK\$424.2 million), bearing a fixed interest rate of 5% per annum, was unsecured and details of this loan were disclosed in our circular dated 23 September 2011. The total interest generated from the loans therefrom for the Year was HK\$49.3 million (2013: HK\$50.5 million). In 2012/13, the carrying amount of this loan was written down by HK\$39.5 million as a result of the change of expected repayment date in accordance with applicable accounting standards.

Rongzhong Capital, a non-wholly owned subsidiary of the Group prior to Completion (as defined below), has provided a revolving loan facility of RMB150 million (equivalent to approximately HK\$190 million) to Rongzhong Group. The loan bearing a fixed interest rate of 3% per annum was derecognised upon deemed disposal of Rongzhong Capital. The total interest generated therefrom for the Year prior to Completion (as defined below) was HK\$1.3 million (2013: HK\$5.2 million).

#### **Discontinued operations/Interest in a joint venture – Rongzhong Capital (47.94% owned by the Group)**

The Group, through Rongzhong Capital and its subsidiaries (“Rongzhong Capital Group”), had offered 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 to SMEs over various provinces and cities in China. Rongzhong Capital Group has achieved remarkable growth since it commenced business operation in late 2008. During the Year, despite the People’s Bank of China’s tight control on the credit scale, Rongzhong Capital Group managed to have a 5% growth in the total carrying value of finance leases receivable to HK\$1,722.2 million (2013: HK\$1,643.4 million).



# Management Discussion and Analysis

## Business Review

On 21 June 2013, Rongzhong Capital completed an issuance of new shares to its key management (“Completion”), details of which were set out in the circular of the Company dated 24 May 2013. As a result of such share issuance, the Company’s equity interest in Rongzhong Capital was reduced to approximately 47.94%, and Rongzhong Capital ceased to be a subsidiary of the Company. The consolidated financial results and position of Rongzhong Capital Group were deconsolidated from, and then accounted for as a joint venture using equity method in the consolidated financial statements of the Group thereafter.

Upon Completion, the Group recognised a gain of HK\$28.8 million, which was computed on the basis of, among others, the estimated fair value and carrying amount of the Rongzhong Capital Group on the date of Completion.

The revenue and profit of Rongzhong Capital Group for the Year was HK\$220.4 million and HK\$70.2 million, respectively (2013: HK\$187.0 million and HK\$67.0 million, respectively), of which HK\$51.1 million and HK\$18.4 million, respectively related to the period prior to the date of Completion and were treated as the discontinued operations. The profit generated by Rongzhong Capital Group after Completion was HK\$51.8 million in which the Group shared HK\$24.8 million (2013: nil).

### **Interest in a joint venture – Rongzhong Group (40% owned by the Group)**

Rongzhong Group engages principally in the business of financing, loan guarantee and financial consulting services through various business platforms in China. With business operation for more than one decade, Rongzhong Group and its subsidiaries have developed strong and cohesive business relationship with numerous SMEs and banks in China.

The Group accounted for the financial results of Rongzhong Group using equity method. During the Year, Rongzhong Group generated total revenue of HK\$558.7 million (2013: HK\$455.7 million), representing a growth of 23%. The demand for the non-bank financial services of Rongzhong Group was strong as the general credit available for SMEs in China remained tight. However, with the slowdown of the economic growth, the SMEs financing market entered a period of higher default risk. Rongzhong Group was suffered as certain of its customers delinquent their loan and interest payment and the impairment allowances increased to HK\$408.3 million (2013: HK\$99.2 million). As a result, the share of profit by the Group decreased by HK\$53.8 million to HK\$28.2 million (2013: HK\$82.0 million).

**Results of operations****Revenue**

The Group generated total revenue for the Year of HK\$115.4 million (2013: HK\$237.5 million). It included revenue from the continuing financing operation of HK\$64.3 million (2013: HK\$50.5 million) and the revenue from financial leasing and financing services carried out by Rongzhong Capital Group for the period prior to Completion, which have been treated as discontinued operations of HK\$51.1 million (2013: HK\$187.0 million).

Although the financing business recorded a growth during the Year with the commencement of small loan operation in Yancheng, Jiangsu, the total revenue dropped by about 51% because the revenue of Rongzhong Capital Group was not consolidated by the Group after Completion.

**Staff costs and other operating expenses**

Staff costs increased by HK\$4.0 million to HK\$28.6 million and other operating expenses increased by HK\$19.3 million to HK\$26.5 million. The increase in staff costs and other operating expenses was mainly due to the commencement of the small loan operation and increase in impairment allowances of HK\$12.8 million provided.

**Reversal of impairment loss on loans receivable**

The Group had granted term loans (the “Zhuhai Loan”) to borrowers for financing a property development project in Zhuhai. During the year ended 31 March 2012, the carrying amount of Zhuhai Loan of HK\$60.8 million was fully impaired in view of the uncertainty of outcome of legal action against the borrowers and the chance of recovery. During the Year, part of the impairment loss of HK\$29.3 million was reversed through indirect realisation from a third party.

**Share of profit of joint ventures**

As mentioned in the section headed “Discontinued Operations/Interest in a joint venture – Rongzhong Capital”, as a result of share issuance of Rongzhong Capital, the Company’s equity interest in Rongzhong Capital was reduced to approximately 47.94% and Rongzhong Capital ceased to be a subsidiary of the Company. The financial results and position of Rongzhong Capital Group were deconsolidated from, and then accounted for as a joint venture using equity method in the consolidated financial statements of the Group thereafter. The share of profit of Rongzhong Capital Group for the period from the date of Completion to 31 March 2014 amounted to HK\$24.8 million (2013: nil). Together with the share of profit of Rongzhong Group of HK\$28.2 million (2013: HK\$82.0 million), the share of profit of joint ventures for the Year amounted to HK\$53.0 million (2013: HK\$82.0 million).

As a result of the foregoing, together with absence of an adjustment to write down the carrying amount of a loan to a joint venture of HK\$39.5 million and a negative financial impact on the change in fair value of financial liabilities arising from shareholders’ agreements of joint ventures of HK\$10.0 million (2013: a positive financial impact of HK\$10.1 million), the Group generated a total profit for the Year attributable to the owners of the Company of HK\$135.7 million (2013: HK\$119.9 million), representing an increase of about 13%.

**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\$173.6 million (2013: HK\$119.9 million), representing an increase of about 45%. The increase was mainly due to the increase in profit for the Year attributable to the owners of the Company as detailed in the section headed “Results of Operations”, the increase in the share of other comprehensive income of joint ventures of HK\$14.9 million (2013: nil) and the increase of exchange gain of HK\$28.7 million (2013: nil) arising on translation as a result of significant appreciation gain of Renminbi during the Year.

# Management Discussion and Analysis

## Financial Review

### Dividend

The Board has proposed a final dividend of HK1.5 cents per share in respect of the results for the Year (2013: HK1.5 cents per share). The ratio of dividend to profit for the Year attributable to the owners of the Company for the Year was 30% (2013: 34%) based on the issued share capital as at 31 March 2014. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 26 August 2014 (the "2014 AGM"), the final dividend will be distributed on or about 16 September 2014 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 4 September 2014.

### Financial resources and capital structure

The Group always maintains healthy cash position and sufficient capital for business development. As at 31 March 2014, the aggregate sum of cash, bank balances and short term bank deposits amounted to HK\$514.9 million (2013: HK\$591.8 million). The working capital (current assets less current liabilities) and the total equity of the Group were HK\$597.9 million (2013: HK\$940.1 million) and HK\$2,252.3 million (2013: HK\$2,336.8 million) respectively.

As at 31 March 2014, the Group had no bank borrowings. As at 31 March 2013, the bank borrowings of HK\$1,020.8 million were granted by banks in China to Rongzhong Capital Group to support the provision of the financial leasing service. The Group has not entered into any hedging instruments to reduce interest rate risk exposure.

### Liquidity and gearing ratio

The Group liquidity position is further improved with the derecognition of all the bank borrowings upon Completion. As at 31 March 2014, the current ratio (current assets/current liabilities) of the Group jumped to 16.4 times (2013: 2.59 times) and both the debt-to-equity ratio (total bank borrowings/total equity) and the net debt-to-equity ratio of the Group were reduced to zero (2013: 43.7% and 29.1% respectively).

### Charges on group assets

As at 31 March 2014, there was no charge on the Group's assets.

As at 31 March 2013, the Group's finance leases receivable of HK\$1,261.7 million and security deposits of HK\$17.8 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 result 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 2014, the Company had given a guarantee in respect of bank borrowings of RMB82.6 million equivalent to approximately HK\$104.6 million (2013: RMB100 million equivalent to approximately HK\$123.5 million) to a joint venture of the Group. The guarantee provided by the Company was approximately 47.94% (2013: 50.055%) of all sums payable by the borrower.

### Employees and remuneration policy

As at 31 March 2014, the Group had 27 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 30 August 2013 (the "2013 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, Vincent ( <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 ("Mr. Wong") is the father of Ms. Wong, Michelle Yatyee ("Ms. Michelle Wong"). 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.

## – Attendance at Board and General Meeting

During the Year, a total of four Board meetings and one annual general meeting (i.e. the 2013 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 2014	
	Regular Board meetings	2013 AGM
Mr. Wang Jun ( <i>Chairman</i> )	1/4	0/1
Mr. Wong ( <i>Deputy Chairman</i> )	4/4	1/1
Mr. Ding Chung Keung, Vincent ( <i>Chief Executive Officer</i> )	4/4	1/1
Ms. Michelle Wong	4/4	1/1
Mr. Melvin Jitsumi Shiraki	3/4	1/1
Mr. Ma Ho Fai SBS JP	4/4	1/1
Mr. Cheng Yuk Wo	4/4	1/1
Mr. Ng Chi Keung MH	4/4	1/1

Though the Chairman was unable to attend the 2013 AGM due to other business engagement, the Chief Executive Officer and the auditor 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 2014 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 ( <i>Deputy Chairman</i> )	✓
Mr. Ding Chung Keung, Vincent ( <i>Chief Executive Officer</i> )	✓
Ms. Michelle Wong	✓
Mr. Melvin Jitsumi Shiraki	✓
Mr. Ma Ho Fai SBS JP	✓
Mr. Cheng Yuk Wo	✓
Mr. Ng Chi Keung MH	✓

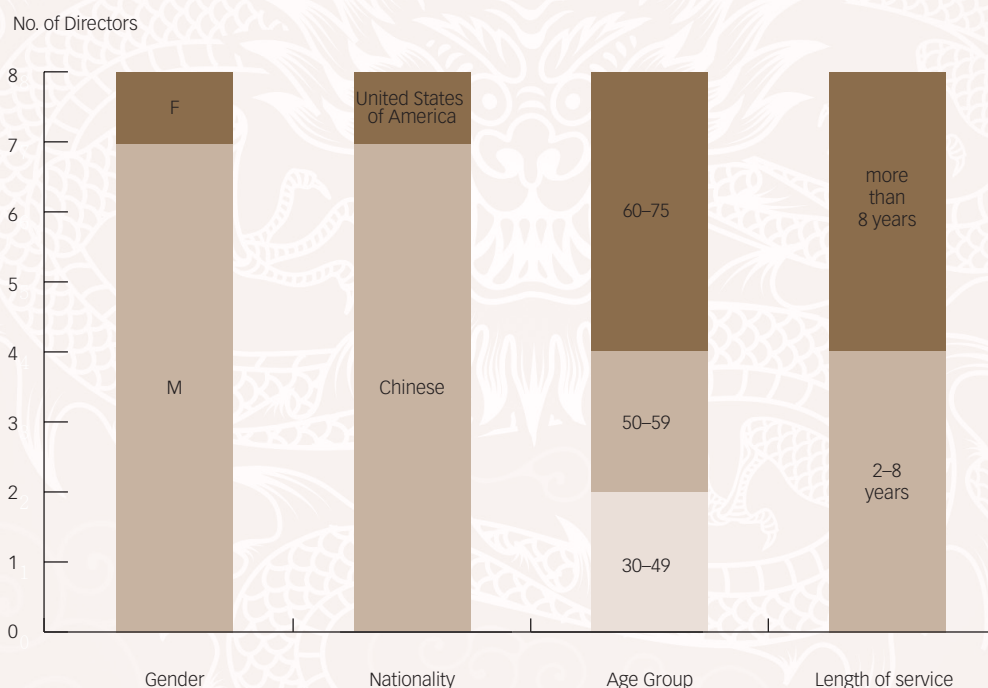
All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

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.

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy on 1 September 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.



## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wang Jun is the Chairman of the Company and Mr. Ding Chung Keung, Vincent 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.

## 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 two 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:

<u>Name of Director</u>	<u>Attendance/No. of times of audit committee meetings held</u>
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, Vincent.

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 two meetings 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 meetings held during the Year:

<b>Name of Director</b>	<b>Attendance/No. of times of remuneration committee meeting held</b>
Mr. Cheng Yuk Wo ( <i>Chairman</i> )	2/2
Mr. Ma Ho Fai SBS JP	2/2
Mr. Ding Chung Keung, Vincent	2/2

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

## – 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, Vincent.

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:

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

## 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	500
Non-audit services	565

## – 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 auditor 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 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 2013 AGM, separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors.

## – Right to Convene a General Meeting for Putting Forward Proposals

Pursuant to Article 56 of the Articles, the Directors may call a general meeting whenever they think fit, and shall, on requisition in accordance with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") proceed to convene a general meeting.

According to Sections 581 to 583 of the Companies Ordinance, shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have the right to vote or at least 50 shareholders who have a relevant right to vote may by requisition in writing to the Company either put forward a proposal at a general meeting or circulate to other shareholders a written statement with respect to matter to be dealt with at a general meeting. The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 581 to 583 of the Companies Ordinance once valid documents are received.

## – Procedures to Propose a Person for Election as a Director of the Company

Pursuant to Article 119 of the Articles, 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](mailto:kellyli@goldbondgroup.com), fax: (852) 2826 9289, or mail to the registered office of the Company.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

## INVESTOR RELATIONS

During the year ended 31 March 2014, there had been no significant change in the Company's constitutional documents.

Pursuant to the amendments of the Listing Rules with effect from 1 September 2013 in relation to the policy concerning diversity in the Board, the terms of reference of the nomination committee were revised accordingly. The updated terms of reference of the nomination committee are available on the websites of the Stock Exchange and the Company.

## CONTINUING 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 19 April 2013, 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 2013 at a monthly rental of HK\$219,009 (exclusive of management fees, rate, government rent and operating expenses).

Wah Link is wholly owned by a discretionary trust whereby Mr. Wong is a member of the board of trustees of the discretionary trust and the discretionary beneficiaries of such trust are Ms. Michelle Wong and Miss Wong, Jacqueline Yue Yee (“Miss Jacqueline Wong”), together with, in certain circumstances, their issue. As Wah Link is regarded as a connected person of the Company according to the Listing Rules, the Lease constituted a continuing connected transaction for the Company. Details of which were announced on 19 April 2013.

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.

## RELATED PARTY TRANSACTIONS

As disclosed in Note 37 to the consolidated financial statements, the Group had some transactions with related parties during the Year. Except for the Lease, the following transaction also fell under the definition of CCT in Chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements, if any:

<b>Nature of the transaction</b>	<b>Amount HK\$'000</b>
Rental expense paid to a joint venture	15

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 2014 are set out in the consolidated financial statements on pages 30 to 96.

The Directors recommend the payment of a final dividend in respect of the Year of HK1.5 cents (2013: HK1.5 cents) per share to the shareholders on the register of members of the Company on 4 September 2014, estimated to be approximately HK\$41.18 million (2013: HK\$41.18 million). The recommended final dividend will be voted by the shareholders of the Company at the 2014 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 3 of this annual report.

## **EQUIPMENT**

Details of movements in equipment of the Group and the Company are set out in Note 14 to the consolidated financial statements.

## RESERVES AND DISTRIBUTABLE RESERVES

Movement during the Year in the reserves of the Group is set out in the consolidated statement of changes in equity on page 34 of this annual report and movement in the reserves of the Company is set out in Note 26 to the consolidated financial statements.

As at 31 March 2014, the Company had, before dividends, approximately HK\$849.765 million (2013: HK\$143.327 million) distributable reserves.

## BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2014 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 joint venture, accounted for approximately 87% (2013: 48%) of the Group's revenue and the largest customer, being the Group's joint venture, accounted for approximately 77% (2013: 23%) 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 and up to the date of this report were:

### Executive Directors

Mr. Wang Jun  
Mr. Wong Yu Lung, Charles  
Mr. Ding Chung Keung, Vincent  
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

Pursuant to Articles 117 and 118 of the Articles, Mr. Ding Chung Keung, Vincent, Mr. Ma Ho Fai SBS JP and Ms. Wong, Michelle Yatyee shall retire from the Board at the forthcoming annual general meeting (the "2014 AGM"). All retiring Directors, being eligible, offer themselves for re-election at the 2014 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 2014 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 5 to 6 of this annual report.

## DIRECTORS' REMUNERATION

Particulars of the Directors' remuneration disclosed pursuant to Section 383 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in Note 9 to the consolidated financial statements.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Continuing Connected Transaction" on page 19 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS**

As at 31 March 2014, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

**Long positions in shares ("Shares")/underlying Shares of the Company**

Name of Director	Capacity	Number of Shares/underlying Shares			Total	Approximate % of Shareholding
		Personal Interest	Corporate Interest	Other Interest		
Mr. Wong	Beneficial owner, founder & trustee of a discretionary trust	77,000,000 (Note 1)	–	855,808,725 (Note 2)	932,808,725	33.98%
Ms. Michelle Wong	Beneficial owner, interest of controlled corporations & beneficiary of a trust	13,000,000 (Note 3)	715,846,792 (Note 4)	855,808,725 (Note 2)	1,584,655,517	57.73%
Mr. Wang Jun ("Mr. Wang")	Beneficial owner & interest of controlled corporations	25,000,000 (Notes 5)	101,251,300 (Note 6)	–	126,251,300	4.60%
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	115,400,000 (Note 7)	–	–	115,400,000	4.20%
Mr. Melvin Jitsumi Shiraki ("Mr. Shiraki")	Beneficial owner	1,500,000 (Note 8)	–	–	1,500,000	0.05%
Mr. Ma Ho Fai SBS JP ("Mr. Ma")	Beneficial owner	2,700,000 (Note 9)	–	–	2,700,000	0.10%
Mr. Cheng Yuk Wo ("Mr. Cheng")	Beneficial owner	4,200,000 (Note 10)	–	–	4,200,000	0.15%
Mr. Ng Chi Keung MH ("Mr. Ng")	Beneficial owner	2,600,000 (Note 11)	–	–	2,600,000	0.09%



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

### Notes:

1. Such interests are underlying Shares derived from share options granted to Mr. Wong under the 2002 Scheme (as defined under the paragraph "SHARE OPTION SCHEMES" on page 26 of this report).
2. The two references to 855,808,725 Shares relate to the same block of Shares held by Allied Luck Trading Limited ("Allied Luck"). Mr. Wong and his spouse, Mrs. Wong Fang Pik Chun ("Mrs. Wong"), are the settlors and the trustees of a discretionary trust (the "Trust") and the property of the Trust includes the issued shares of Allied Luck. The discretionary beneficiaries of the Trust are Ms. Michelle Wong and Miss Jacqueline Wong, together with, in certain circumstances, their issue. By virtue of the above, both Mr. Wong and Ms. Michelle Wong are taken to have a duty of disclosure in relation to these Shares held by Allied Luck under the SFO as Directors of the Company.
3. Such interests are underlying Shares derived from share options granted to Ms. Michelle Wong under the 2002 Scheme.
4. Such Shares are held by Ace Solomon Investments Limited, which was owned as to 50% by Aceyork Investment Limited (a company wholly-owned by Ms. Michelle Wong) and as to 50% by Allied Golden Investment Limited (a company wholly owned by Miss Jacqueline Wong). By virtue of the above, Ms. Michelle Wong is taken to have a duty of disclosure in relation to the said Shares under the SFO.
5. Such interests are underlying Shares derived from share options granted to Mr. Wang under the 2002 Scheme.
6. Such Shares are held by a company of which Mr. Wang is interested in the entire issued share capital.
7. Such interests include 38,400,000 Shares and 77,000,000 underlying Shares derived from share options granted to Mr. Ding under the 2002 Scheme.
8. Such interests are underlying Shares derived from share options granted to Mr. Shiraki under the 2002 Scheme.
9. Such interests include 1,200,000 Shares and 1,500,000 underlying Shares derived from share options granted to Mr. Ma under the 2002 Scheme.
10. Such interests are underlying Shares derived from share options granted to Mr. Cheng under the 2002 Scheme.
11. Such interests are underlying Shares derived from share options granted to Mr. Ng under the 2012 Scheme (as defined under the paragraph "SHARE OPTION SCHEMES" on page 26 of this report).

Save as disclosed above, as at 31 March 2014, none of the Directors or chief executive of the Company or any of their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS**

So far as is known to any Director or chief executive of the Company, as at 31 March 2014, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

**Long positions in the Shares/underlying Shares of the Company**

Name of substantial shareholder	Capacity	Number of Shares/ underlying Shares	Total	Approximate % of Shareholding
Mrs. Wong	(i) Interest of spouse	77,000,000 (Note 1)	932,808,725	33.98%
	(ii) Trustee	855,808,725 (Note 2)		
Miss Jacqueline Wong	(i) Interest in controlled corporation	715,846,792 (Note 3)	1,571,655,517	57.25%
	(ii) Beneficiary of a trust	855,808,725 (Note 2)		
Mr. Kwok Wing-Sien ("Mr. Kwok")	Interest of spouse	1,584,655,517 (Note 4)		57.73%
Allied Luck Trading Limited ("Allied Luck")	Beneficial owner	855,808,725 (Note 2)		31.18%
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%

## Notes:

- Mrs. Wong is deemed to be interested in these underlying Shares held by Mr. Wong, her spouse, for the purpose of the SFO.
- The three references to 855,808,725 Shares relate to the same block of Shares held by Allied Luck. Please refer to Note 2 on page 24 of this report for further details. By virtue of the above, both Mrs. Wong and Miss Jacqueline Wong are taken to have a duty of disclosure in relation to these Shares held by Allied Luck.
- The four references to 715,846,792 Shares relate to the same block of Shares held by Ace Solomon. Please refer to Note 4 on page 24 of this report for further details. By virtue of the above, Miss Jacqueline Wong, Aceyork and Allied Golden are taken to have a duty of disclosure in relation to these Shares held by Ace Solomon.
- Mr. Kwok is deemed to be interested in these Shares/underlying Shares held by Ms. Michelle Wong, his spouse, for the purpose of the SFO.

Save as disclosed above, as at 31 March 2014, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEMES

On 31 August 2012, the Company terminated the old share option scheme (the "2002 Scheme") which was adopted on 18 September 2002, and adopted a new share option scheme (the "2012 Scheme") on the same date with similar terms for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No further share options will be granted under the 2002 Scheme, but the provisions of the 2002 Scheme 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.

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

Grantee	Date of grant	Exercise price (HK\$)	Exercise period (Note 2)	Outstanding at 31/3/13	Outstanding at 31/3/14
<b>Directors</b>					
Mr. Wang	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
Mr. Wong	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	26,000,000
Mr. Ding	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	26,000,000
Ms. 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
<b>Eligible employees</b>					
(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	15,300,000	15,300,000
	23/5/2008	0.692	23/5/2011 – 22/5/2018	3,000,000	3,000,000
	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	1,900,000	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	12,750,000	12,750,000
				<b>249,400,000</b>	<b>249,400,000</b>

**SHARE OPTION SCHEMES (continued)**

Details of the share options granted under the 2012 Scheme during the Year were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period (Note 2)	Outstanding at 31/3/13	Granted during the Year	Outstanding at 31/3/14
<b>Director</b>						
Mr. Ng	28/6/2013	0.295 (Note 3)	28/6/2015 – 27/6/2023	–	2,600,000	2,600,000
<b>Eligible employees</b> (in aggregate)	28/6/2013	0.295 (Note 3)	28/6/2015 – 27/6/2023	–	28,800,000	28,800,000
				–	31,400,000	31,400,000

Notes:

1. During the Year, no share options were granted, exercised, lapsed or cancelled under the 2002 Scheme and no share options were exercised, lapsed or cancelled under the 2012 Scheme;
2. The vesting period of the share options is from the date of grant until the commencement of the exercise period; and
3. The closing price of the Company's shares immediately before the date on which the options were granted was HK\$0.27 each.

**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. Wang	– Resigned as the chairman of CITIC 21 CN Company Limited with effect from 30 April 2014.
Mr. Ding	– Resigned as an independent non-executive director of 21 Holdings Limited with effect from 27 March 2014. – Monthly remuneration revised to HK\$130,000 and RMB2,000 with effect from 1 December 2012.
Mr. Cheng	– Retired as an independent non-executive director by rotation at the conclusion of the annual general meeting of South China Land Limited on 7 May 2013. Ceased to be its audit committee's chairman and its remuneration and nomination committee's member with effect from 7 May 2013. – Resigned as an executive director of 21 Holdings Limited with effect from 1 January 2014. – Appointed as an independent non-executive director and a member of the audit committee of Liu Chong Hing Investment Limited on 7 March 2014.

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 2013 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**

Messrs. Deloitte Touche Tohmatsu retire and, being eligible, offer themselves for re-appointment at the 2014 AGM. A resolution will be submitted to the 2014 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Ding Chung Keung, Vincent**

*Chief Executive Officer*

Hong Kong  
27 June 2014

## **Deloitte.** **德勤**

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

金榜集團控股有限公司  
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Goldbond Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 96, which comprise the consolidated and the Company's statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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 2014 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 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>			
Revenue	5	64,346	50,510
Other income		15,907	15,522
Staff costs	8	(28,597)	(24,584)
Other operating expenses		(26,544)	(7,235)
Adjustment to the carrying amount of a loan to a joint venture	16	–	(39,506)
Reversal of impairment loss on loans receivable	32	29,329	–
Change in fair values of financial liabilities	24, 30	(9,967)	10,071
Finance costs	7	(476)	(414)
Share of profit of joint ventures	16	53,024	81,962
Profit before taxation	8	97,022	86,326
Taxation	10	663	–
Profit for the year from continuing operations		97,685	86,326
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	11	47,188	67,042
Profit for the year		144,873	153,368
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Exchange differences arising on translation		28,726	14
Share of other comprehensive income of joint ventures	16	14,904	–
Other comprehensive income for the year		43,630	14
Total comprehensive income for the year		188,503	153,382
Profit for the year attributable to:			
Owners of the Company		135,668	119,884
Non-controlling interests		9,205	33,484
		144,873	153,368
Total comprehensive income for the year attributable to:			
Owners of the Company		173,625	119,898
Non-controlling interests		14,878	33,484
		188,503	153,382
Earnings per share	13		
From continuing and discontinued operations			
– Basic		HK4.94 cents	HK4.37 cents
– Diluted		HK4.94 cents	HK4.36 cents
From continuing operations			
– Basic		HK3.56 cents	HK3.14 cents
– Diluted		HK3.55 cents	HK3.14 cents

# Consolidated Statement of Financial Position

As at 31 March 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Equipment	14	3,101	2,255
Interests in joint ventures	16	1,482,263	1,149,458
Loan to a joint venture	16	466,588	424,171
Finance leases receivable	17	–	982,322
Club debentures	18	18,639	18,179
Deferred tax asset	28	3,212	–
		<b>1,973,803</b>	<b>2,576,385</b>
<b>Current assets</b>			
Loans to a joint venture	16	–	248,334
Amount due from a joint venture	16	–	388
Advances provided to customers	19	116,804	–
Finance leases receivable	17	–	661,100
Prepayments, deposits and other receivables		5,001	11,316
Security deposits	20	–	17,835
Short term bank deposits	21		
– with original maturity within three months		229,578	305,585
– with original maturity more than three months		102,992	251,813
Bank balances and cash	21	182,308	34,437
		<b>636,683</b>	<b>1,530,808</b>
<b>Current liabilities</b>			
Other payables and accrued charges		34,569	31,603
Deposits from finance lease customers	17	–	71,766
Deferred income	22	–	20,859
Taxation		650	889
Bank borrowings	23	–	457,606
Liabilities under shareholders' agreements	24	3,606	7,948
		<b>38,825</b>	<b>590,671</b>
<b>Net current assets</b>		<b>597,858</b>	<b>940,137</b>
<b>Total assets less current liabilities</b>		<b>2,571,661</b>	<b>3,516,522</b>



# Consolidated Statement of Financial Position

As at 31 March 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>Capital and reserves</b>			
Share capital	25	822,433	274,501
Reserves		1,429,882	1,841,627
<hr/>			
Equity attributable to owners of the Company		2,252,315	2,116,128
Non-controlling interests		–	220,721
<hr/>			
Total equity		2,252,315	2,336,849
<hr/>			
<b>Non-current liabilities</b>			
Deposits from finance lease customers	17	–	291,751
Deferred income	22	–	20,136
Bank borrowings	23	–	563,225
Liabilities under shareholders' agreements	24	315,696	301,387
Redeemable convertible preference shares	27	3,650	3,174
<hr/>			
		319,346	1,179,673
<hr/>			
		2,571,661	3,516,522
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The consolidated financial statements on pages 30 to 96 were approved and authorised for issue by the Board of Directors on 27 June 2014 and are signed on its behalf by:

**Wong Yu Lung, Charles**  
Director

**Ding Chung Keung, Vincent**  
Director

# Statement of Financial Position

As at 31 March 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Equipment	14	1,467	919
Interests in subsidiaries	15	103,010	88,999
Amounts due from subsidiaries	15	1,361,105	598,798
Club debentures	18	18,639	18,179
		<b>1,484,221</b>	<b>706,895</b>
<b>Current assets</b>			
Amounts due from subsidiaries	15	97,274	132,029
Prepayments, deposits and other receivables		3,425	1,156
Short term bank deposits	21		
– with original maturity within three months		89,464	258,515
– with original maturity more than three months		102,992	66,628
Bank balances and cash	21	157,157	695
		<b>450,312</b>	<b>459,023</b>
<b>Current liabilities</b>			
Other payables and accrued charges		953	765
Amounts due to subsidiaries	15	30,629	–
		<b>31,582</b>	<b>765</b>
Net current assets		<b>418,730</b>	<b>458,258</b>
Total assets less current liabilities		<b>1,902,951</b>	<b>1,165,153</b>
<b>Capital and reserves</b>			
Share capital	25	822,433	274,501
Reserves	26	1,076,868	887,478
<b>Total equity</b>		<b>1,899,301</b>	<b>1,161,979</b>
<b>Non-current liability</b>			
Redeemable convertible preference shares	27	3,650	3,174
		<b>1,902,951</b>	<b>1,165,153</b>

Wong Yu Lung, Charles  
Director

Ding Chung Keung, Vincent  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company											
	Share capital	Share premium	Investment revaluation reserve	Employee share-based compensation reserve	General reserve	Capital reserve	Statutory surplus reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 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
Exchange differences arising on translation	-	-	-	-	-	-	-	23,053	-	23,053	5,673	28,726
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	-	14,904	-	14,904	-	14,904
Profit for the year	-	-	-	-	-	-	-	-	135,668	135,668	9,205	144,873
Total comprehensive income for the year	-	-	-	-	-	-	-	37,957	135,668	173,625	14,878	188,503
Dividends recognised as distribution (Note 12)	-	-	-	-	-	-	-	-	(41,175)	(41,175)	-	(41,175)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note 25)	547,932	(547,932)	-	-	-	-	-	-	-	-	-	-
Derecognised upon deemed disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(235,599)	(235,599)
Realisation of reserve upon deemed disposal of subsidiaries	-	-	-	-	-	(35,035)	(5,707)	(6,093)	46,835	-	-	-
Realisation of reserve upon disposal of a subsidiary	-	-	-	-	-	-	-	(2,218)	2,218	-	-	-
Recognition of equity-settled share-based payments	-	-	-	3,737	-	-	-	-	-	3,737	-	3,737
Transferred to statutory surplus reserve	-	-	-	-	-	-	466	-	(466)	-	-	-
At 31 March 2014	822,433	-	3,000	58,109	6,000	-	466	141,336	1,220,971	2,252,315	-	2,252,315

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 2014

	2014 HK\$'000	2013 HK\$'000
<b>Operating activities</b>		
Profit for the year	144,873	153,368
Adjustments for:		
Taxation	5,586	22,221
Depreciation of equipment	923	1,259
Equity-settled share-based payment expenses	3,737	5,188
Change in fair values of financial liabilities	9,967	(10,071)
Finance costs	25,394	85,976
Adjustment to the carrying amount of a loan to a joint venture	–	39,506
Gain on disposal of equipment	(254)	–
Reversal of impairment loss on loans receivable	(29,329)	–
Impairment losses on advances provided to customers	12,847	–
Gain on deemed disposal of subsidiaries	(28,758)	–
Interest income from bank deposits	(15,392)	(15,252)
Share of profit of joint ventures	(53,024)	(81,962)
Effect of foreign exchange rate changes	3,227	14
<b>Operating cash flows before movements in working capital</b>	<b>79,797</b>	<b>200,247</b>
Decrease (increase) in loans to a joint venture	32,773	(40,496)
Increase in amount due from a joint venture	(1,305)	(3,318)
Increase in advances provided to customers	(129,651)	–
Decrease (increase) in finance leases receivable	31,901	(427,964)
Increase in prepayments, deposits and other receivables	(2,454)	(4,140)
Decrease in security deposits	15,567	1,595
Increase (decrease) in other payables and accrued charges	9,642	(956)
(Decrease) increase in deferred income	(2,463)	7,030
Increase in deposits from finance lease customers	9,917	117,909
Cash generated from (used in) operations	43,724	(150,093)
Enterprise Income Tax paid in China	(6,814)	(24,943)
<b>Net cash from (used in) operating activities</b>	<b>36,910</b>	<b>(175,036)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>Investing activities</b>			
Release of short term bank deposits with original maturity more than three months		189,873	66,866
Placement of short term bank deposits with original maturity more than three months		(34,599)	(251,813)
Net cash inflow from recovery of loans receivable	32	29,329	–
Net cash outflow from deemed disposal of subsidiaries	33	(10,164)	–
Interest received from bank deposits		15,392	15,252
Proceeds from disposal of equipment		254	–
Purchase of equipment		(2,304)	(1,330)
<b>Net cash from (used in) investing activities</b>		<b>187,781</b>	<b>(171,025)</b>
<b>Financing activities</b>			
Bank loans raised		41,728	637,024
Repayment of bank loans		(143,378)	(412,582)
Interest paid		(18,420)	(62,675)
Dividends paid	12	(41,175)	–
<b>Net cash (used in) from financing activities</b>		<b>(161,245)</b>	<b>161,767</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>63,446</b>	<b>(184,294)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>340,022</b>	<b>524,316</b>
<b>Effect of foreign exchange rate changes</b>		<b>8,418</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>411,886</b>	<b>340,022</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Bank balances and cash		182,308	34,437
Short term bank deposits with original maturity within three months		229,578	305,585
		<b>411,886</b>	<b>340,022</b>

## 1. GENERAL

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 address of the registered office and principal place of business of the Company is Units 1901-06, 19/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong.

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”)

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are applicable to the Group for the first time in the current year.

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

The application of the new and revised HKFRSs and amendments in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

### **New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 “Consolidated financial statements”, HKFRS 11 “Joint arrangements”, HKFRS 12 “Disclosure of interests in other entities”, HKAS 27 (as revised in 2011) “Separate financial statements” and HKAS 28 (as revised in 2011) “Investments in associates and joint ventures”, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

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

### New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

#### *Impact of the application of HKFRS 10*

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 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

Upon the adoption of HKFRS 10, the directors of the Company consider that no additional investee ought to be consolidated and no investees which were previously consolidated ought to be deconsolidated in accordance with the new definition of control under HKFRS 10.

#### *Impact of the application of HKFRS 11*

HKFRS 11 replaces HKAS 31 “Interests in joint ventures”, and the guidance contained in a related interpretation, HK(SIC) – INT 13 “Jointly controlled entities – Non-monetary contributions by venturers”, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

HKFRS 11 is effective for the Group for annual period beginning on 1 April 2013. After assessment of the adoption of the HKFRS 11, the directors of the Company consider that the jointly controlled entity of the Group previously under HKAS 31 is regarded as a joint venture under HKFRS 11. Since it was previously accounted for using the equity method, there is no change in accounting methodology under HKFRS 11. Accordingly, the application of HKFRS 11 does not have material impact on the consolidated financial statements.

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

### **New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)**

#### ***Impact of the application of HKFRS 12***

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

#### ***HKFRS 13 Fair value measurement***

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

#### ***Amendments to HKAS 1 Presentation of items of other comprehensive income***

The Group has applied the amendments to HKAS 1 “Presentation of items of other comprehensive income”. Upon the adoption of the amendments to HKAS 1, the Group’s ‘consolidated statement of comprehensive income’ is renamed as the ‘consolidated statement of profit or loss and 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. Furthermore, 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

### New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

#### Amendments to HKAS 1 Presentation of items of other comprehensive income (continued)

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>1</sup>
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations <sup>6</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>6</sup>
Amendments to HKAS 19	Defined benefit plans: Employee contributions <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>1</sup>
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle <sup>4</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle <sup>2</sup>
HKFRS 9	Financial instruments <sup>3</sup>
HKFRS 14	Regulatory deferral accounts <sup>5</sup>
HK(IFRIC) – INT 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>5</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2016

#### HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2012 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

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.

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

### New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

#### *HKFRS 9 Financial instruments (continued)*

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 of the Company anticipate that the application of this standard will not have a material impact on amounts reported in the consolidated financial statements.

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 goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

## 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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is 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 joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), 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 the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in joint ventures (continued)

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

### Revenue recognition

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

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

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

### 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

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 immediately in profit or loss.

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 immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

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

### 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 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in joint arrangements, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset 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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *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.

#### *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 advances provided to customers, loans to a joint venture, finance leases receivable, amounts due from subsidiaries, amount due from a joint venture, 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



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

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

- 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.

Individual impairment allowances are assessed by a discounted cash flow method for finance leases receivable and advances provided to customers 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 advance provided to customers, 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 and advances provided to customers, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

### 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### *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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

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

##### *Financial liabilities*

Financial liabilities include amounts due to subsidiaries, 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.

##### *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.

##### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Derecognition (continued)*

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.

#### 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 advances provided to customers

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2014, the total carrying amount of advances provided to customers is HK\$116,804,000 (2013: nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

### 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. Details of the assumptions used are disclosed in Note 24. Where the estimations differ from actual events, the fair value of liabilities under shareholders' agreements may not be adequate to cover the actual losses and a material loss may arise. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments. The fair value of liabilities under shareholders' agreements as at 31 March 2014 was HK\$319,302,000 (2013: HK\$309,335,000).

### Income taxes

As at 31 March 2014, no deferred tax asset (2013: nil) in relation to estimated unused tax losses of HK\$201,762,000 (2013: HK\$227,586,000) 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 interests in joint ventures

Determining whether interests in joint ventures are impaired requires an estimation of the recoverable amount of joint ventures, which is based on the higher of value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the joint ventures 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 2014, the carrying amount of interests in joint ventures is HK\$1,482,263,000 (2013: HK\$1,149,458,000). Details of the impairment review is disclosed in Note 16.

## 5. REVENUE

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

	2014 HK\$'000	2013 HK\$'000
Financing service income	64,346	50,510

## 6. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of financing service from continuing operations including financing, project financing and consultancy service. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive directors of the Company, the chief operating decision maker of the Group. The executive directors of the Company review the revenue and the profit for the year of the Group as a whole to make decision about resources allocation. For information regarding this segment, reference can be made to the consolidated financial statements as a whole. The segment result of the Group represents profit for the year from continuing operations set out in the consolidated statement of profit or loss and other comprehensive income.

Operation regarding provision of financial leasing service (previously a separate reportable segment) was discontinued during the year ended 31 March 2014, and described in more detail in Note 11.

### Geographical information

Revenue from continuing operations reported above represents income generated from external customers in China of HK\$15,056,000 (2013: nil) and income generated from a joint venture outside China of HK\$49,290,000 (2013: HK\$50,510,000).

As at 31 March 2014, non-current assets other than those relating to discontinued operations, financial instruments, deferred tax assets and interests in joint ventures of HK\$1,634,000 (2013: HK\$1,336,000) were located in China. The remaining non-current assets other than financial instruments and interests in joint ventures of HK\$1,467,000 (2013: HK\$919,000) were located in Hong Kong.

### Information about major customer

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

	2014 HK\$'000	2013 HK\$'000
Customer A in the financing service segment	49,290	50,510

## 7. FINANCE COSTS

### Continuing operations

	2014 HK\$'000	2013 HK\$'000
Imputed interest on redeemable convertible preference shares	476	414

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 8. PROFIT BEFORE TAXATION

### Continuing operations

	2014 HK\$'000	2013 HK\$'000
Profit before taxation has been arrived at after charging:		
Salaries, allowances and other staff benefits	24,683	19,230
Staff's retirement benefit scheme contributions	177	166
Equity-settled share-based payment expenses	3,737	5,188
<b>Total staff costs (including directors' remuneration)</b>	<b>28,597</b>	<b>24,584</b>
Impairment losses on advances provided to customers	12,847	–
Auditor's remuneration	1,023	1,116
Depreciation of equipment	781	521
Operating lease rentals in respect of properties	2,635	2,275
Net exchange loss (included in other operating expenses)	4,575	–
and after crediting:		
Interest income from bank deposits (included in other income)	15,353	15,065
Gain on disposal of equipment (included in other income)	254	–
Net exchange gain (included in other income)	–	60

## 9. DIRECTORS' AND EMPLOYEES' REMUNERATION

The remuneration of each director for the year ended 31 March 2014 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	–	1,656	15	138	891	2,700
Mr. Ding Chung Keung, Vincent	–	1,590	15	6,000	892	8,497
Ms. Wong, Michelle Yatye	–	960	15	1,000	446	2,421
Mr. Melvin Jitsumi Shiraki	–	960	–	80	60	1,100
<u>Independent non-executive directors</u>						
Mr. Cheng Yuk Wo	210	–	–	–	104	314
Mr. Ma Ho Fai SBS JP	210	–	–	–	60	270
Mr. Ng Chi Keung MH	210	–	–	–	102	312
<b>Total</b>	<b>630</b>	<b>6,606</b>	<b>45</b>	<b>8,218</b>	<b>2,555</b>	<b>18,054</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

The remuneration of each director of 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, Vincent	–	1,570	14	5,000	1,967	8,551
Ms. Wong, Michelle Yat-ye	–	760	14	800	532	2,106
Mr. Melvin Jitsumi Shiraki	–	960	–	80	72	1,112
Mr. Kee Wah Sze (Note a)	–	540	12	–	46	598
Mr. Xie Xiao Qing (Note b)	–	203	–	–	–	203
<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
<b>Total</b>	<b>360</b>	<b>6,949</b>	<b>54</b>	<b>7,000</b>	<b>4,780</b>	<b>19,143</b>

### 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.
- 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, four (2013: five) were directors of the Company whose emoluments are included in the disclosures in Note 9 above. The emolument of the remaining individual was as follows:

	2014 HK\$'000	2013 HK\$'000
Equity-settled share based payment expenses	196	–
Discretionary bonus	3,500	–
	<b>3,696</b>	<b>–</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 10. TAXATION

### Continuing operations

	2014 HK\$'000	2013 HK\$'000
The charge (credit) comprises:		
Current tax		
Enterprise Income Tax in China		
– Provision for the current year	2,108	–
– Underprovision in prior year	441	–
	2,549	–
Deferred taxation (Note 28)	(3,212)	–
	(663)	–

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable income during 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 both years.

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

	2014 HK\$'000	2013 HK\$'000
Profit before taxation (from continuing operations)	97,022	86,326
Tax at the domestic income tax rate in China of 25% (2013: 25%)	24,255	21,581
Tax effect of share of profit of joint ventures	(13,256)	(20,491)
Tax effect of income not taxable for tax purposes	(23,059)	(18,461)
Tax effect of expenses not deductible for tax purposes	4,401	11,590
Tax effect of tax losses not recognised	6,444	6,143
Underprovision in prior year	441	–
Others	111	(362)
Taxation for the year (relating to continuing operations)	(663)	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 11. DISCONTINUED OPERATIONS

On 2 May 2013, Rongzhong Capital Holdings Limited (“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 Rongzhong Capital’s new shares, at an aggregate consideration of US\$3.0 million (equivalent to approximately HK\$23.4 million).

Details of the subscription were disclosed in the circular dated 24 May 2013 issued by the Company.

On 21 June 2013, upon completion of the above transaction, the Company’s equity interest in Rongzhong Capital and its subsidiaries (collectively the “Disposal Group”) was reduced to approximately 47.94% and Rongzhong Capital was ceased to be a subsidiary of the Company. The financial results and position of the Disposal Group were deconsolidated from, and accounted for as a joint venture using equity method in the consolidated financial statements of the Group thereafter.

The operations regarding financial leasing and financing services carried out by the Disposal Group have been treated as discontinued operations. The comparative figures relating to the discontinued operations have also been re-presented.

### Profit for the year from discontinued operations

	For the period from 1 April 2013 to 21 June 2013 HK\$'000	For the year ended 31 March 2013 HK\$'000
Revenue	51,093	187,016
Other income	39	187
Staff costs	(626)	(2,406)
Other operating expenses	(909)	(9,972)
Finance costs	(24,918)	(85,562)
Profit before taxation	24,679	89,263
Taxation	(6,249)	(22,221)
Profit from financial leasing and financing service operations	18,430	67,042
Gain on deemed disposal of subsidiaries (Note 33)	28,758	–
Profit for the year from discontinued operations	47,188	67,042
Profit for the year from discontinued operations attributable to:		
Owners of the Company	37,983	33,558
Non-controlling interests	9,205	33,484
	47,188	67,042

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 11. DISCONTINUED OPERATIONS (continued)

### Profit for the year from discontinued operations (continued)

	For the period from 1 April 2013 to 21 June 2013 HK\$'000	For the year ended 31 March 2013 HK\$'000
Profit for the year from discontinued operations included the following:		
Interest on bank borrowings	18,420	62,675
Auditor's remuneration	100	427
Directors' remuneration	–	203
Depreciation of equipment	142	738
Interest income from bank deposits	(39)	(187)
Operating lease rentals in respect of properties	155	589
Net exchange loss	82	–

### Cash flows from discontinued operations

	For the period from 1 April 2013 to 21 June 2013 HK\$'000	For the year ended 31 March 2013 HK\$'000
Net cash from (used in) operating activities	95,568	(160,606)
Net cash (used in) from investing activities	(69)	1,313
Net cash (used in) from financing activities	(120,070)	162,585
Net cash (outflows) inflows	(24,571)	3,292

The carrying amounts of the assets and liabilities of the Disposal Group on the date of disposal are disclosed in Note 33.

## 12. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Dividends recognised as distribution and paid during the year:		
Final dividends of HK1.5 cents per share in respect of the year ended 31 March 2013 (2013: In respect of the year ended 31 March 2012 of nil cent per share)	41,175	–

Subsequent to the end of the reporting period, a final dividend of HK1.5 cents (2013: HK1.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 13. EARNINGS PER SHARE

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

	2014 HK\$'000	2013 HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	135,668	119,884
Number of shares:	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,745,013	2,745,013
Effect of dilutive potential ordinary shares:		
Share options	3,372	2,680
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,748,385	2,747,693

### From continuing operations

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

	2014 HK\$'000	2013 HK\$'000
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	135,668	119,884
Less: Profit for the year from discontinued operations attributable to owners of the Company (Note 11)	(37,983)	(33,558)
Profit for the purpose of basic and diluted earnings per share from continuing operations	97,685	86,326

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

Basic and diluted earnings per share for discontinued operations was HK1.38 cents per share (2013: HK1.22 cents per share), based on the profit for the year from discontinued operations attributable to owners of the Company of HK\$37,983,000 (2013: HK\$33,558,000) 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 2014

## 14. EQUIPMENT

	Furniture, fixtures and other fixed assets	
	2014 HK\$'000	2013 HK\$'000
<b>THE GROUP</b>		
<b>COST</b>		
At the beginning of the year	7,913	6,587
Exchange adjustments	205	–
Additions	2,304	1,330
Disposals	(957)	(4)
Derecognised upon deemed disposal of subsidiaries (Note 33)	(2,156)	–
At the end of the year	7,309	7,913
<b>ACCUMULATED DEPRECIATION</b>		
At the beginning of the year	5,658	4,403
Exchange adjustments	122	–
Charge for the year	923	1,259
Eliminated on disposals	(957)	(4)
Derecognised upon deemed disposal of subsidiaries (Note 33)	(1,538)	–
At the end of the year	4,208	5,658
<b>NET CARRYING VALUES</b>		
At the end of the year	3,101	2,255
<b>THE COMPANY</b>		
<b>COST</b>		
At the beginning of the year	5,091	5,073
Exchange adjustments	133	–
Additions	1,121	22
Disposal	(957)	(4)
At the end of the year	5,388	5,091
<b>ACCUMULATED DEPRECIATION</b>		
At the beginning of the year	4,172	3,679
Exchange adjustments	83	–
Charge for the year	623	497
Eliminated on disposal	(957)	(4)
At the end of the year	3,921	4,172
<b>NET CARRYING VALUES</b>		
At the end of the year	1,467	919

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 15. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/TO SUBSIDIARIES

	THE COMPANY	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	1	1
Deemed capital contributions	103,009	104,750
	103,010	104,751
Impairment losses recognised	–	(15,752)
	103,010	88,999
Amounts due from subsidiaries		
– non-current	1,361,105	598,798
– current	97,274	132,029
	1,458,379	730,827
Amounts due to subsidiaries		
– current	30,629	–

Particulars of the principal subsidiaries as at 31 March 2014 and 31 March 2013 are set out in Note 38.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 16. INTERESTS IN JOINT VENTURES/LOANS TO A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Cost of investments in joint ventures, unlisted	1,316,317	1,051,440
Share of post acquisition profit and other comprehensive income, net of dividends received	165,946	98,018
	<b>1,482,263</b>	<b>1,149,458</b>

Particulars of the joint ventures as at 31 March 2014 and 2013 are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital		Effective ownership interest indirectly held by the Group		Proportion of voting power held		Principal activities
			2014	2013	2014	2013	2014	2013	
Rongzhong Group Limited ("Rongzhong Group")	Limited	British Virgin Islands/China	US\$34,275,000	US\$34,275,000	40%	40%	40%	40%	Provision for financing and loan guarantee services
Rongzhong Capital (Note 11)	Limited	British Virgin Islands/China	US\$104,422	N/A	47.94%	N/A	47.94%	N/A	Provision for financial leasing service

Note: Based on the legal form and terms of the contractual arrangements, the interests in Rongzhong Group and Rongzhong Capital are classified as joint ventures as major decisions require the unanimous consent among the shareholders.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 16. INTERESTS IN JOINT VENTURES/LOANS TO A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (continued)

### Summarised financial information of the joint ventures

The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

These joint ventures are accounted for using the equity method in the consolidated financial statements.

#### Rongzhong Group

	2014 HK\$'000	2013 HK\$'000
Current assets	3,010,769	2,564,893
Non-current asset	109,700	35,558
Current liabilities	(813,996)	(627,033)
Non-current liabilities	(687,761)	(475,688)
Non-controlling interests	–	(5,323)

The above amounts of assets and liabilities include the following:

	2014 HK\$'000	2013 HK\$'000
Cash and cash equivalents	24,195	50,668
Current financial liabilities (excluding payables and provisions)	(578,965)	(425,903)
Non-current financial liabilities	(687,761)	(475,688)

	2014 HK\$'000	2013 HK\$'000
Revenue	558,688	455,657
Profit for the year	88,958	226,860
Other comprehensive income for the year	37,459	–
Total comprehensive income for the year	126,417	226,860

The above profit for the year include the following:

	2014 HK\$'000	2013 HK\$'000
Depreciation and amortisation	(4,690)	(5,247)
Interest income from bank deposits	6,948	9,749
Interest expense	(70,176)	(43,031)
Income tax expense	(40,305)	(83,948)



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 16. INTERESTS IN JOINT VENTURES/LOANS TO A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (continued)

### Summarised financial information of the joint ventures (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Rongzhong Group recognised in the consolidated financial statements:

#### Rongzhong Group (continued)

	2014 HK\$'000	2013 HK\$'000
Net assets of Rongzhong Group	1,618,712	1,492,407
Proportion of the Group's ownership interest in Rongzhong Group	40%	40%
Goodwill	249,067	249,067
Trademark	285,976	285,976
Net intangible assets	7,087	11,772
Others	3,012	5,680
Carrying amount of the Group's interest in Rongzhong Group	1,192,627	1,149,458

#### Rongzhong Capital

	2014 HK\$'000	2013 HK\$'000
Current assets	905,198	–
Non-current assets	1,094,185	–
Current liabilities	(589,957)	–
Non-current liabilities	(865,602)	–

The above amounts of assets and liabilities include the following:

	2014 HK\$'000	2013 HK\$'000
Cash and cash equivalents	37,801	–
Current financial liabilities (excluding other payables)	(501,679)	–
Non-current financial liabilities	(851,321)	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 16. INTERESTS IN JOINT VENTURES/LOANS TO A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (continued)

Summarised financial information of the joint ventures (continued)

*Rongzhong Capital (continued)*

	2014 HK\$'000	2013 HK\$'000
Revenue	169,283*	–
Profit for the year	51,818*	–
Other comprehensive expense for the year	(166)*	–
Total comprehensive income for the year	51,652*	–

The above profit for the year include the following:

	2014 HK\$'000	2013 HK\$'000
Depreciation and amortisation	(438)*	–
Interest income	3,738*	–
Interest expense	(75,332)*	–
Income tax expense	(18,004)*	–

\* Included the results of Rongzhong Capital from the date it became a joint venture of the Group up to 31 March 2014.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 16. INTERESTS IN JOINT VENTURES/LOANS TO A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (continued)

### Summarised financial information of the joint ventures (continued)

#### Rongzhong Capital (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in Rongzhong Capital recognised in the consolidated financial statements:

	2014 HK\$'000
Net assets of Rongzhong Capital	543,823
Proportion of the Group's ownership interest in Rongzhong Capital	47.94%
Goodwill	28,953
Carrying amount of the Group's interest in Rongzhong Capital	289,636

As at 31 March 2014, the loan of HK\$466,588,000 (2013: 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 (the "Introduction") with details disclosed in the circular dated 23 September 2011 (the "2011 Circular"), was unsecured and not expected to be repaid within one year. With respect to the loan of HK\$466,588,000, 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 and was discounted at original effective interest rate of 10% per annum.

The unsecured loan to the joint venture, Rongzhong Group with a carrying amount of HK\$75,062,000 as at 31 March 2013, bearing a fixed interest rate of 10% per annum, was fully repaid during the year ended 31 March 2014. In addition, the loan to the joint venture with a carrying amount of HK\$173,272,000 as at 31 March 2013, bearing a fixed interest rate of 3% per annum and the amount due from the joint venture with carrying amount of HK\$388,000 as at 31 March 2013, were derecognised upon deemed disposal of subsidiaries (Note 33) on 21 June 2013.

At 31 March 2014, the management of the Group carried out impairment review on the carrying amount of its interests in the joint ventures by comparing their recoverable amounts using value in use with their carrying amounts. In determining the value in use of the respective investments, the Group estimated the present value of the estimated future cash flows expected to be generated by each of the joint ventures, including cash flows from the operations of the respective joint ventures and proceeds on the ultimate disposal of the respective investments at a discount rate of 18% (2013: 18%) for Rongzhong Group and 18% for Rongzhong Capital. Based on the assessments, the recoverable amount of the interests in the joint ventures exceeded their entire carrying amount respectively. Hence, no impairment on the interests in the joint ventures is considered necessary.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 17. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Finance leases receivable comprise:				
Within one year	–	778,974	–	661,100
In more than one year but not more than five years	–	1,068,135	–	982,322
	–	1,847,109	–	1,643,422
Less: Unearned finance income	–	(203,687)		
Present value of minimum lease payment	–	1,643,422		
Analysed for reporting purposes as:				
Current assets			–	661,100
Non-current assets			–	982,322
			–	1,643,422

The Group's finance leases receivable were denominated in RMB which was the functional currency of the relevant group entity. The effective interest rates of the above finance leases ranged from 6.1% to 25.7% per annum.

Finance leases receivable were mainly secured by leased assets which were 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, the customers' deposits of HK\$363,517,000 were received in advance and might be used to settle the last payments by end of lease period. The relevant amounts of the finance leases receivable and deposits from finance lease customers were derecognised upon deemed disposal of subsidiaries (Note 33) on 21 June 2013. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in prior year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

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

	2014 HK\$'000	2013 HK\$'000
Less than one month	–	6
More than one month but less than three months	–	164,198
	–	164,204

Management reviewed and assessed 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 was past due but the Group did not provide for impairment loss as management considered there was no significant change in credit quality for these customers.

## 18. 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.

## 19. ADVANCES PROVIDED TO CUSTOMERS

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Advances provided to customers	129,651	–
Less: Impairment allowances	(12,847)	–
	116,804	–

As at 31 March 2014, the advances provided to customers, which bore fixed coupon interest at a rate of not more than 16.8% per annum, were repayable according to the loan agreements which usually cover periods of two to six months. The balances were secured by assets such as properties and equity interests in certain private entities in China where applicable.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 19. ADVANCES PROVIDED TO CUSTOMERS (continued)

The following is an ageing analysis of advances provided to customers determined based on the advance payment date, as at the end of the reporting period:

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Less than one month	75,809	—
More than one month but less than three months	8,620	—
More than three months but less than six months	19,084	—
More than six months	13,291	—
	<b>116,804</b>	—

For risk management purpose, there was credit team responsible for the evaluation of customers' credit rating, financial background and repayment abilities. Management had set up the credit limits and any further extension of credit beyond these approval limits had to be approved by management. The credit team was also required to take follow-up action where customers had defaulted on the repayment of loans. Management considered the receivable that was neither past due nor impaired to be of good credit quality.

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

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Neither past due nor impaired	103,513	—
Past due but not impaired	13,291	—
Impaired	12,847	—
Subtotal	129,651	—
Less: Impairment allowances	(12,847)	—
Advances provided to customers	<b>116,804</b>	—

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 19. ADVANCES PROVIDED TO CUSTOMERS (continued)

The following is an ageing analysis of advances provided to customers which were past due but not impaired:

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
More than six months	13,291	–

Management reviewed and assessed impairment individually based on customers' repayment history and the values of assets pledged. As at 31 March 2014, an aggregate carrying amount of HK\$13,291,000 was past due but the Group had not provided for impairment loss as these customers were considered to be of good quality. Included in the balances, an aggregate amount of HK\$13,291,000 was secured by assets pledged by customers.

### Movement in the impairment allowances

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Balance at beginning of the year	–	–
Impairment losses recognised	12,847	–
Balance at end of the year	12,847	–

## 20. SECURITY DEPOSITS

Security deposits were placed by the Group with banks to secure the Group's due performance in relation to the financial leasing business in China. The relevant amount of security deposits was derecognised upon deemed disposal of subsidiaries (Note 33) on 21 June 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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 4.10% and 0.001% to 4.10% (2013: 0.001% to 3.05% and 0.001% to 2.95%) 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	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	HKD	88,916	53,844	88,885	49,475
United States dollar	USD	6	16,046	1	15,848

## 22. DEFERRED INCOME

	THE GROUP	
	2014	2013
	HK\$'000	HK\$'000
Current	–	20,859
Non-current	–	20,136
	–	40,995

Deferred income from the financial leasing business was amortised and recognised as revenue using effective interest method over the lease period and were derecognised upon deemed disposal of subsidiaries (Note 33) on 21 June 2013.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 23. BANK BORROWINGS

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Bank loans	–	1,020,831
Secured	–	994,905
Unsecured	–	25,926
	–	1,020,831
Carrying amount repayable*:		
Within one year	–	355,631
More than one year, but not exceeding two years	–	123,854
More than two years, but not exceeding five years	–	439,371
	–	918,856
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
Less: Amounts shown under current liabilities	–	(457,606)
	–	563,225

\* The amounts due were 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 were variable-rate borrowings which carried annual interest at the range of 100% to 130% of the rate offered by the People's Bank of China ("PBOC") and the remaining balance of HK\$227,148,000 was fixed-rate borrowings which carry annual interest at the rate of 6.15% to 6.65% per annum.

As at 31 March 2013, the Group's bank borrowings of RMB805,873,000 equivalent to HK\$994,905,000 were 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.

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

The relevant amount of bank borrowings were derecognised upon deemed disposal of subsidiaries (Note 33) on 21 June 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 24. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
<b>Current</b>		
Call option	3,606	7,948
<b>Non-current</b>		
Provision for share subscription	297,640	284,387
Estimated liability	18,056	17,000
Performance target	–	–
	<b>315,696</b>	<b>301,387</b>
<b>Total</b>	<b>319,302</b>	<b>309,335</b>

As a result of the Introduction, Perfect Honour Limited (“Perfect Honour”), a wholly owned subsidiary of the Company, on 26 October 2011, entered into two shareholders’ agreements pursuant to which the following financial instruments were recognised. 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 2014, 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 2014	31 March 2013
Fair value at measurement dates (HK\$)	3,606,000	7,948,000
Exercise price (HK\$)	82.03	82.03
Expected volatility	41.419%	40.452%
Expected dividends	–	–
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.393%	0.217%

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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 2014, 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 2014	31 March 2013
Fair value at measurement dates (HK\$)	<b>297,640,000</b>	284,387,000
Expected date of a triggering event to occur	<b>31 December 2015</b>	31 December 2015
Subscription price (HK\$)	<b>315,240,000</b>	315,240,000
Discount rate (prevailing market lending rate in Hong Kong)	<b>4.703%</b>	4.684%

### Estimated liability

Pursuant to the terms of the shareholders' agreements, Silver Creation Investments Limited ("Silver Creation") may, subject to the happening of a triggering event as set forth in the 2011 Circular by 31 December 2015, request Perfect Honour, Yong Hua International Limited ("Yonghua"), Legend Crown International Limited ("Legend Crown") and Plenty Boom Investments Limited ("Plenty Boom") 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 Silver Creation resulting from the Introduction at a price equal to the Silver Creation'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 Silver Creation, and, in the case of redemption of shares of Rongzhong Group, minus the consideration paid, if any, by Mr. Xie to the Silver Creation as a result of the exercise of a call option granted by the Silver Creation to Mr. Xie under the shareholders' agreements.

The fair value of estimated liability with respect to (I) was included in the provision for share subscription. As at 31 March 2014, the fair value of the estimated liability attributable to the Group with respect to (II) was measured based on the discounted cash flow method with the management's assumptions on the estimated liability, probability of occurrence of the triggering event, discount rate and time to extinguishment of the estimated liability.

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

If the unobservable input regarding the probability of the triggering event to occur to the valuation model was 5% higher/lower while all the other variables were held constant, the carrying amount of the estimated liability would increase/decrease by HK\$2,708,000.

## 24. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

### Performance target

Pursuant to the terms of the shareholders' agreements, the Silver Creation may, subject to the happening of a triggering event on the operating results of the Rongzhong Group for the year ended 31 March 2013, request Perfect Honour, Yonghua, Legend Crown, Plenty Boom and Plenty Boom to procure Rongzhong Group and/or Rongzhong Capital to redeem all their respective shares of Rongzhong Group and/or Rongzhong Capital owned by the Silver Creation resulting from the Introduction at a price equal to the Silver Creation's investment cost plus an interest of 30% per annum, compounded annually, on the Silver Creation'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 Silver Creation as a result of the exercise of a call option granted by the Silver Creation to Mr. Xie under the shareholders' agreements.

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

## 25. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>		
At 1 April 2012 and 31 March 2013		
Ordinary shares of HK\$0.10 each	25,000,000	2,500,000
At 31 March 2014	N/A (Note)	N/A (Note)
<b>Issued and fully paid:</b>		
At 1 April 2012 and 31 March 2013		
Ordinary shares of HK\$0.10 each	2,745,013	274,501
Transfer from share premium upon abolition of par value	–	547,932
At 31 March 2014		
Ordinary shares with no par value	<b>2,745,013</b>	<b>822,433</b>

Note: The Company has no authorised share capital and its shares have no par value since the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

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 2014

## 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
<b>THE COMPANY</b>							
At 1 April 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
Exchange differences arising on translation	-	-	-	-	27,147	-	27,147
Profit for the year	-	-	-	-	-	747,613	747,613
Total comprehensive income for the year	-	-	-	-	27,147	747,613	774,760
Dividends recognised as distribution (Note 12)	-	-	-	-	-	(41,175)	(41,175)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note 25)	(547,932)	-	-	-	-	-	(547,932)
Recognition of equity-settled share-based payments	-	-	3,737	-	-	-	3,737
At 31 March 2014	-	3,000	58,109	6,000	159,994	849,765	1,076,868

## 27. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

### THE GROUP AND THE COMPANY

As at 31 March 2014, 68,400,000 (2013: 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.

## 28. DEFERRED TAXATION

### THE GROUP

At 31 March 2014, the Group had estimated unused tax losses of HK\$201,762,000 (2013: HK\$227,586,000) available to offset against future profits of which certain tax losses have not yet been agreed with the relevant tax authority. Estimated unused tax losses were revised subsequent as informed by the relevant tax authority, and were derecognised upon deemed disposal of subsidiaries during the year. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

The movement in deferred tax asset during the year is as follows:

	<b>Impairment allowances</b>
	HK\$'000
At 1 April 2012 and 31 March 2013	–
Credit to profit or loss (Note 10)	3,212
At 31 March 2014	<b>3,212</b>

A deferred tax asset of HK\$3,212,000 (2013: nil) has been recognised in respect of impairment allowances on advances provided to customers.

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\$784,000 (2013: HK\$1,719,000) 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 2014, the Company has estimated unused tax losses of HK\$201,486,000 (2013: HK\$225,613,000) available to offset against future profits of which certain tax losses have not yet been agreed with the relevant tax authority. Estimated unused tax losses were reduced subsequent to review by the relevant tax authority. 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 2014

## 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 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Financial assets				
Finance leases receivable	–	1,643,422	–	–
Loans and receivables (including cash and cash equivalents)	<b>1,102,338</b>	1,285,118	<b>1,818,452</b>	1,057,636
Available-for-sale club debentures	<b>18,639</b>	18,179	<b>18,639</b>	18,179
Financial liabilities				
Deposits from finance lease customers	–	363,517	–	–
Held for trading	<b>3,606</b>	7,948	–	–
Designated as at FVTPL	<b>315,696</b>	301,387	–	–
Amortised cost	<b>16,384</b>	1,028,571	<b>34,355</b>	3,215

### 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.

**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 joint venture, 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	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	HKD	555,588	553,141	301,366	287,602
United States dollar	USD	6	16,067	18,056	17,000

**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	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	HKD	1,554,579	780,375	34,355	3,215
United States dollar	USD	–	15,869	–	–

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.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. FINANCIAL INSTRUMENTS (continued)

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

#### Market risk (continued)

#### Currency risk (continued)

#### Sensitivity analysis (continued)

#### THE GROUP

	USD impact		HKD impact	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Increase (decrease) in profit	902	47	(12,711)	(13,277)

#### THE COMPANY

	USD impact		HKD impact	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Decrease in profit	—	(793)	(76,011)	(38,858)

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.

#### 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 bank deposits and bank balance (see Note 21 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.

## 30. FINANCIAL INSTRUMENTS (continued)

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

#### *Market risk (continued)*

#### *Interest rate risk (continued)*

#### **THE GROUP (continued)**

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank deposits and bank balances. 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 (2013: 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 (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2014 would increase/decrease by HK\$908,000 (2013: HK\$2,627,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and bank balances.

#### **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 2014 and 2013, 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.

#### **Credit risk**

As at 31 March 2014, 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 advances provided to customers, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For loans to a joint venture, the management of the Group participates in daily operation of the joint venture. For loan guarantee issued by the Company to a joint venture, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. FINANCIAL INSTRUMENTS (continued)

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

#### *Credit risk (continued)*

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 joint venture and advances provided to customers (the "Receivables") as at 31 March 2014 included five major counterparties accounting for 88.6% (2013: 45.0%) of the Receivables. The Group has closely monitored the recoverability of the advances to these counterparties, ensure adequate collateral is 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.

The Company's concentration of credit risk on receivables as at 31 March 2014 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk (continued)

#### 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 March 2014 HK\$'000
<b>2014</b>									
Liabilities under shareholders' agreements									
Estimated liability	6.01	-	-	-	-	20,291	-	20,291	18,056
Call option	-	3,606	-	-	-	-	-	3,606	3,606
Provision for share subscription	4.70	-	-	-	-	315,240	-	315,240	297,640
Non-derivative financial liabilities									
Other payables	-	-	12,734	-	-	-	-	12,734	12,734
Loan guarantee contract	-	60,678	-	-	-	-	-	60,678	-
Redeemable convertible preference shares	13.97	-	-	-	-	-	684,000	684,000	3,650
		64,284	12,734	-	-	335,531	684,000	1,096,549	335,686

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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 March 2013 HK\$'000
2013									
Liabilities under									
shareholders' agreements									
Estimated liability	6.57	-	-	-	-	-	20,480	20,480	17,000
Call option	-	7,948	-	-	-	-	-	7,948	7,948
Provision for share subscription	4.68	-	-	-	-	-	315,240	315,240	284,387
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

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. The relevant amount of the bank loans was derecognised upon deemed disposal of subsidiaries (Note 33) on 21 June 2013.

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 2014

## 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 March 2014 HK\$'000
<b>2014</b>									
Non-derivative financial liabilities									
Other payables	-	-	76	-	-	-	-	76	76
Amounts due to subsidiaries	-	30,629	-	-	-	-	-	30,629	30,629
Loan guarantee contract	-	60,678	-	-	-	-	-	60,678	-
Redeemable convertible preference shares	13.97	-	-	-	-	-	684,000	684,000	3,650
		91,307	76	-	-	-	684,000	775,383	34,355

	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 March 2013 HK\$'000
<b>2013</b>									
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

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 2014, the carrying amount of loan guarantee contract (determined based on expectations at the end of the reporting period) was nil (2013: 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 2014

## 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 as disclosed in Note 24.

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 on recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	THE GROUP AND THE COMPANY	
	Level 2	
	2014 HK\$'000	2013 HK\$'000
Available-for-sale financial assets		
Club debentures	18,639	18,179
	THE GROUP	
	Level 3	
	2014 HK\$'000	2013 HK\$'000
Financial liabilities as at FVTPL		
Liabilities under shareholders' agreements (Note 24)		
Call option	3,606	7,948
Provision for share subscription	297,640	284,387
Estimated liability	18,056	17,000
Total	319,302	309,335

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. FINANCIAL INSTRUMENTS (continued)

### Fair value (continued)

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

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

	THE GROUP			Total HK\$'000
	Level 3			
	Call option HK\$'000	Provision for share subscription HK\$'000	Estimated liability HK\$'000	
At 1 April 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
Change in fair value	(4,342)	13,253	1,056	9,967
<b>At 31 March 2014</b>	<b>3,606</b>	<b>297,640</b>	<b>18,056</b>	<b>319,302</b>

For the year ended 31 March 2014 and 2013, there were no transfers in/out for level 3 of the fair value hierarchy. The change in fair value of HK\$9,967,000 (2013: HK\$10,071,000) was recognised in profit or loss.

## 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 2012 Share Option Scheme 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 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 2012 Share Option Scheme.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

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

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

A summary of the movements of the outstanding options and their related weighted average exercise prices during each of the two years ended 31 March 2014 under the share option scheme is as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options		
			Outstanding at 1 April 2013	Granted during the year	Outstanding at 31 March 2014
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	90,300,000	–	90,300,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	4,600,000	–	4,600,000
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	1,900,000	–	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	83,350,000	–	83,350,000
28.6.2013	28.6.2015 – 27.6.2023	0.295	–	31,400,000	31,400,000
			249,400,000	31,400,000	280,800,000
			HK\$	HK\$	HK\$
Weighted average exercise price per share			0.642	0.295	0.603

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

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
			<u>260,000,000</u>	<u>(10,600,000)</u>	<u>249,400,000</u>
			HK\$	HK\$	HK\$
Weighted average exercise price per share			<u>0.636</u>	<u>0.499</u>	<u>0.642</u>

As at 31 March 2014, the Group had 249,400,000 (2013: 166,050,000) exercisable share options.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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 2013	Granted during the year	Transferred out during the year	Outstanding at 31 March 2014
17.8.2007	17.8.2010 – 16.8.2017	1.014	75,000,000	–	–	75,000,000
23.5.2008	23.5.2012 – 22.5.2018	0.692	1,600,000	–	–	1,600,000
13.10.2009	13.10.2013 – 12.10.2019	0.500	52,000,000	–	–	52,000,000
1.2.2012	1.2.2014 – 31.1.2021	0.410	70,600,000	–	–	70,600,000
28.6.2013	28.6.2015 – 27.6.2023	0.295	–	2,600,000	–	2,600,000
			199,200,000	2,600,000	–	201,800,000

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

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

No share options were exercised during both years.

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

### Fair value of share options and assumptions

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

For the year ended 31 March 2014	Independent non-executive director	Employees
Grant dates	28 June 2013	28 June 2013
Fair value at measurement dates (HK\$)	0.103	0.078
Share price (HK\$)	0.295	0.295
Exercise price (HK\$)	0.295	0.295
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	48.04%	48.04%
Option life	10 years	10 years
Expected dividends	4.88%	4.88%
Risk-free interest rate (based on Exchange Fund Notes)	2.00%	2.00%
Post-vesting exit rate	–	7.49%
Exercise cap	180%	120%

The expected volatility is based on the historical volatility of the Company's share price over the previous 5 years, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. The trinomial lattice model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing price of the Company's shares immediately before 28 June 2013, the date of the grant, was HK\$0.27. The exercise price is HK\$0.295. The estimated fair value of the share options granted on that date was HK\$2,514,000.

The Group recognised total expenses of HK\$3,737,000 (2013: HK\$5,188,000) relating to share option payment transactions for the year ended 31 March 2014.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 32. REVERSAL OF IMPAIRMENT LOSS ON LOANS RECEIVABLE

During the year ended 31 March 2012, the Group made a full provision of HK\$60,782,000 for loans receivable in view of uncertainty of the outcome of the legal action against the borrowers. During the year ended 31 March 2014, impairment loss on loans receivable of HK\$29,329,000 was reversed through indirect realisation from a third party.

The reversal of impairment loss on loans receivable was included in the profit for the year from continuing operations in the consolidated statement of profit or loss and other comprehensive income.

## 33. DEEMED DISPOSAL OF SUBSIDIARIES

On 21 June 2013, the Group disposed of the Disposal Group which carried out the financial leasing service and financing service businesses.

	21 June 2013 HK\$'000
Equipment (Note 14)	618
Loan to a joint venture	177,532
Amount due from a joint venture	709
Finance leases receivable	1,653,485
Prepayments, deposits and other receivables	9,103
Security deposits	2,707
Bank balances and cash	<u>10,164</u>
Assets disposed of	<u>1,854,318</u>
Other payables and accrued charges	7,679
Deposits from finance lease customers	388,331
Deferred income	39,589
Taxation	2,184
Bank borrowings	<u>944,817</u>
Liabilities disposed of	<u>1,382,600</u>
Net assets disposed of	<u>471,718</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 33. DEEMED DISPOSAL OF SUBSIDIARIES (continued)

### Gain on deemed disposal of subsidiaries

	21 June 2013 HK\$'000
Interest in a joint venture	264,877
Net assets disposed of	(471,718)
Non-controlling interests	235,599
Gain on deemed disposal (Note 11)	28,758

The gain on deemed disposal is included in the profit for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income (Note 11).

### Net cash outflow on deemed disposal of subsidiaries

	21 June 2013 HK\$'000
Consideration received in cash and cash equivalents	–
Less: cash and cash equivalent balances disposed of	(10,164)
	(10,164)

## 34. OPERATING LEASE COMMITMENTS

As at 31 March 2014, 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	5,111	322	2,628	184
After one year but within five years	8,021	288	2,847	–
	13,132	610	5,475	184

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 35. CONTINGENT LIABILITIES

As at 31 March 2014, the Company had given a guarantee to bank borrowings of RMB82,600,000 equivalent to approximately HK\$104,557,000 (2013: RMB100,000,000 equivalent to approximately HK\$123,457,000) to a joint venture of the Group. The guarantee provided by the Company was approximately 47.94% (2013: 50.055%) of all sums payable by the borrower.

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

	2014 HK\$'000	2013 HK\$'000
Short-term benefits	15,454	14,309
Post-employment benefits	45	54
Share-based payments	2,555	4,780
	18,054	19,143

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

### Transactions with related parties

	2014 HK\$'000	2013 HK\$'000
Loan interest income received from a joint venture	50,607	55,708
Rental expense paid to a related company with common controlling shareholders	(2,594)	(2,215)
Guarantee fee paid to a joint venture	(996)	(3,472)
Rental expense paid to a joint venture	(15)	(66)
Company secretarial services fees received from a subsidiary of a joint venture	—	120

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2014 and 2013 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
		2014	2013	Directly		Indirectly		
				2014	2013	2014	2013	
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 (Note 3)	British Virgin Islands/ Hong Kong	-	US\$1	-	-	-	100%	Provision of financing service
Jiangsu Goldbond Factoring Co. Ltd.# (江蘇金榜商業保理有限公司) (Note 1)	China	RMB25,000,000	-	-	-	100%	-	Provision of factoring service
Nanjing Excellent Link Consultancy Co. Ltd.# (南京卓領信息諮詢有限公司) (Note 1)	China	HK\$7,000,000	HK\$7,000,000	-	-	100%	100%	Provision of management service
Perfect Honour Limited	British Virgin Islands/ Hong Kong	US\$1	US\$1	100%	100%	-	-	Investment holding
Rongzhong Capital (融眾資本集團有限公司)	British Virgin Islands/ Hong Kong	US\$104,422	US\$100,000	-	-	47.935% (Note 2)	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	-	-	47.935% (Note 2)	50.055%	Investment holding
Rongzhong International Financial Leasing Co. Ltd.# (融眾國際融資租賃有限公司) (Note 1)	China	US\$41,000,000	US\$39,500,000	-	-	47.935% (Note 2)	50.055%	Provision of financial leasing service
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) (Note 1)	China	US\$30,000,000	US\$30,000,000	-	-	100%	100%	Provision of financing service

# English translated name is for identification purpose only.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 38. PRINCIPAL SUBSIDIARIES (continued)

Notes:

- (1) These companies are wholly foreign-owned enterprise established in China.
- (2) These companies were deemed disposed of by the Group (Notes 11 and 33) on 21 June 2013 and Rongzhong Capital was then accounted for as a joint venture of the Group.
- (3) The Group has disposed of its interest in this subsidiary during the year ended 31 March 2014.

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

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