



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

Stock Code: 00172

Interim Report 2015/16

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

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

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Tower One, Lippo Centre
89 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKERS

Bank of Communications Co., Ltd., Hong Kong Branch
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/>



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 interim report of the Company and its subsidiaries (collectively the "Group") for the period ended 30 September 2015 (the "Period").

In the first half of 2015, under the combined effect of the decrease in potential economic growth rate and the insufficient external demand, the China economy still faced enormous downward pressure, and the operating environment faced by certain small and medium-sized enterprises ("SMEs") did not turn around. SMEs suffered constant pressure in terms of liquidity as a result of the tightening of credit policies by suppliers and difficulties in collecting receivables. In addition, the changes in bank lending policies made the SMEs hard to obtain necessary funding. The Group prudently kept the assets of small loan financing business under ongoing supervision and promoted the business among high quality customers for stable return.

For the financing channels, the Group currently maintains close collaborative relationships with several banks to satisfy the funding requirements for the factoring business. The Group strives to obtain additional funding from the new and existing banks and from the capital markets for continued business development.

As at 30 September 2015, the equity attributable to the owners of the Company was HK\$2,302.7 million, decreased by 1% from the beginning of the period. The condensed consolidated financial statements of the Group and its joint ventures are presented in Hong Kong dollar while the functional currency is RMB. Such decrease was mainly contributed by unfavorable movement in the exchange rate of the RMB against the Hong Kong dollar which resulted in exchange loss arising on translation recognised by the Group and its joint venture. Profit for the Period attributable to the owners of the Company was HK\$64.5 million, representing a decrease of 24%.

With the implementation of various stimulation policies, new opportunity may arise in the process of economic structural adjustment and industrial transformation. Facing opportunities and challenges, the Group will continue to strive to enhance asset security, financial service capability in order to facilitate healthy development of the Group. We also build new growth drivers by participating in a real estate fund and holding a significant interest in the manager of such fund so as to capture and benefit from the opportunities in the recovering real estate markets in the developed countries. The manager of the real estate fund is exploring real estate projects in the North America with good investment value.

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

Wong Yu Lung, Charles

Deputy Chairman

Hong Kong, 27 November 2015

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the results for the Period (corresponding period in 2014: nil).

BUSINESS REVIEW

The Group principally engages in the provision of non-bank financial services to SMEs in the Peoples' Republic of China ("China"). The Group together with its joint ventures offer wide spectrum of services including financing, financial leasing and factoring services.

Financing

– **Small loan financing**

The Group engages in small loan financing business through Yancheng Goldbond Technology Small Loan Company Limited ("Yancheng Goldbond"). Yancheng Goldbond was the first wholly foreign owned small loan company founded in Yancheng, Jiangsu Province. Yancheng Goldbond is able to offer short-term loan financing services, loan guarantee services, direct investment and other services approved by the provincial government, to SMEs and individuals in Yancheng.

With years of experience working with SMEs in Yancheng, the Group has developed regional knowledge, experience and network in Yancheng. In view of slow-down of the economy in Yancheng, the Group timely adjusted its operating strategy. Over the past one year, the Group prudently promoted the small loan financing business among high quality customers to maintain stable return and ensure that the newly released loans were effectively safeguarded. As a result, the average interest rate of our loan portfolio and the revenue from the small loan financing business decreased. The income from small loan financing for the Period was HK\$1.6 million, and representing a decrease of 76% from previous period. The Group will continue to operate the small loan business of Yancheng Goldbond cautiously with a focus on maintaining asset quality during the period of economic adjustments.

– **Loan to Rongzhong Group Limited ("Rongzhong Group")**

The Group granted a revolving loan facility to Rongzhong Group for the development of its financing service business in China and details of the loan were disclosed in the circular of the Company dated 23 September 2011. As at 30 September 2015, the loan to Rongzhong Group with carrying value of HK\$483.9 million (31 March 2015: HK\$510.6 million) and bearing a fixed interest rate of 5% per annum, was unsecured. The interest income realised from the loans was HK\$17.7 million, decreased by HK\$5.1 million compared with that of the period ending 30 September 2014.

– **Interests in joint ventures: Rongzhong Group**

Rongzhong Group and its subsidiaries ("Rongzhong Group Companies") principally engaged in provision of non-bank financial services, comprising small loan financing, loan guarantee, bill financing and financial consulting services to SMEs and individuals in various cities in China. With business operation for more than one decade, Rongzhong Group Companies have developed business relationship with numerous SMEs and banks in China. By leveraging the established industry and management expertise, Rongzhong Group Companies is able to provide a customised and integrated range of financing solutions to its customers. The revenue and profit of Rongzhong Group Companies for the Period was HK\$408.2 million and HK\$139.5 million, respectively (corresponding period in 2014: HK\$375.2 million and HK\$145.8 million, respectively). The profit was arrived at after charging, inter alia, impairment allowances of HK\$68.3 million (corresponding period in 2014: HK\$96.8 million) and finance cost of HK\$79.3 million (corresponding period in 2014: HK\$50.0 million). The increase in finance cost was mainly due to the increase in average borrowings of Rongzhong Group Companies. In light of the downward pressure on China's economy, the business and future growth of

Management Discussion and Analysis

Rongzhong Group Companies depends largely on its ability to effectively manage the credit risk associated with its SME's customers and maintain the quality of its receivables portfolio. If the quality of its receivables portfolio deteriorates, a higher level of impairment provision may be required, and the business, prospects, financial condition and results of operations may be adversely affected. The share of profit of Rongzhong Group Companies for the Period was HK\$54.4 million, representing a decrease of HK\$2.5 million or 4% from previous period.

Financial leasing

– *Interests in joint ventures: Rongzhong Capital Holdings Limited (“Rongzhong Capital”)*

Rongzhong Capital and its subsidiaries (“Rongzhong Capital Group”), primarily engages in finance leasing business through Rongzhong International Financial Leasing Co., Ltd. (“Rongzhong Finance Lease”). Rongzhong Finance Lease is a leading finance leasing company in Hubei Province, providing finance lease services to key industries in Hubei Province, including laser processing, plastics, industrial processing, textile and garments and hotel and leisure.

The revenue and profit of Rongzhong Capital Group for the Period was HK\$114.0 million and HK\$31.4 million, respectively (corresponding period in 2014: HK\$109.2 million and HK\$35.2 million, respectively). Profit slightly decreased was mainly due to the non-recurring listing expenses incurred in connection with the Listing (as defined below). The share of profit of Rongzhong Capital Group for the Period was HK\$15.1 million (corresponding period in 2014: HK\$16.9 million).

On 30 June 2015, China Rongzhong Financial Holdings Company Limited (the holding company of Rongzhong Capital Group immediately after an reorganisation which would be completed prior to Listing (as defined below)) (“China Rongzhong”) submitted the listing application to the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the listing of, and permission to deal in, the shares of China Rongzhong on the Main Board of the Stock Exchange (the “Listing”). Details of the Listing have yet to be finalised and are subject to, amongst other things, the listing application being approved by the listing committee of the Stock Exchange, the prevailing market conditions and the final decisions of the board of directors of China Rongzhong.

Factoring

We established our factoring headquarters in Nanjing, Jiangsu Province in 2014 with the approval from Ministry of Commerce of China. The operating vehicle, Jiangsu Goldbond Factoring Co., Ltd., with registered capital of RMB50 million, is authorised to offer factoring services including collection and management of account receivables and other related advisory services to SMEs across China.

During the Period, the factoring service segment achieved satisfactory growth, recorded total advances provided to customers of HK\$146.3 million as at 30 September 2015 (31 March 2015: HK\$151.9 million) and realised revenue of HK\$11.1 million (corresponding period in 2014: HK\$6.1 million), accounted for 37% (corresponding period in 2014: 17%) of the total revenue. The revenue source of the Group became more diversified and the Group has stronger capability to resist fluctuation in single product market.

Shareholders' agreements of joint ventures

As a result of the introduction of a strategic investor, Silver Creation Investments Limited ("Silver Creation"), to Rongzhong Group ("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 certain financial instruments were recognised. As at 30 September 2015, the liabilities under shareholders' agreements was HK\$369.2 million (31 March 2015: HK\$347.1 million). One of which was estimated liabilities of the Group for non-completion of proposed IPO of Rongzhong Group and Rongzhong Capital.

Pursuant to the terms of the shareholders' agreements, unless otherwise agreed to in writing by all of the shareholders of Rongzhong Group or Rongzhong Capital, if Rongzhong Group or Rongzhong Capital has not completed the proposed IPO before 31 December 2015, Silver Creation may request Perfect Honour, Yong Hua International Limited, Legend Crown International Limited and Plenty Boom Investments Limited either: (i) to subscribe additional shares of Rongzhong Group (applicable to Rongzhong Group only); or (ii) at their sole and absolute discretion jointly elect to either purchase, on several basis, or procure Rongzhong Group and Rongzhong Capital to redeem all of the shares of Rongzhong Group and Rongzhong Capital (provided that the proposed IPO in relation to them has not taken place) purchased and/or subscribed by Silver Creation pursuant to the Introduction. Details were disclosed in the circular dated 23 September 2011.

As at the date of the report, the proposed IPO of Rongzhong Group and Rongzhong Capital have not been completed. We expected that the proposed IPO of Rongzhong Group and Rongzhong Capital would not be completed before 31 December 2015 based on the latest review of the status of or timetable in relation to potential listings. The status of proposed IPO of Rongzhong Capital is disclosed in the section headed "Financial leasing – Interests in joint ventures: Rongzhong Capital Holdings Limited" above. The estimated liabilities refer to the Group's estimated liabilities for fulfilling the aforesaid obligation(s) under the shareholders' agreements, which were based on managements' assumptions. However, the decision of Silver Creation on whether to exercise its right(s), and hence its choice among the two options (applicable to Rongzhong Group only) may trigger significant changes in the business operation and future development of Rongzhong Group and/or Rongzhong Capital by varying degrees and the value of our interests in these two companies. The Company will make further assessment(s) in relation thereto as and when appropriate.

FINANCIAL REVIEW

Revenue

The Group realised revenue for the Period of HK\$30.3 million, representing a decrease of 14% from HK\$35.4 million as recorded in the previous period. The income from the financing segment was HK\$19.2 million, accounted from 63% of the total revenue, and representing a decrease of 34% from previous period. This was mainly due to the Group prudently promoting lower margin loans among high quality customers for stable return and better safeguard of asset as the China economy slows down. During the Period, the Group proactively promoted factoring business and realised revenue of HK\$11.1 million for the Period, accounted for 37% of the total revenue, and representing an increase of 82% from previous period.

Staff costs

Staff costs of the Group amounted to HK\$9.9 million, which decreased by HK\$0.7 million or 7% compared to previous period. Such decrease is mainly attributable to the decrease in the performance related bonus, which was partially offset by the increase in the share option expenses.

Management Discussion and Analysis

Other operating expenses

Other operating expenses were HK\$5.8 million, which decreased by HK\$1.4 million or 19% compared to previous period. The decrease in other operating expenses was mainly due to the decrease in provision for bad debts of HK\$1.4 million.

Change in fair value of financial liabilities

The negative financial impact of change in fair values of financial liabilities was HK\$22.1 million (corresponding period in 2014: HK\$11.5 million). Such amount was arising from the change in fair value of financial liabilities under the shareholders' agreements of joint ventures.

Direct finance costs

Direct finance costs were HK\$1.1 million (corresponding period in 2014: HK\$0.1 million), which increased by HK\$1.0 million or 652% compared to previous period. Such increase is mainly due to the increase in interest expenses for bank loans raised as compared to previous period for the factoring business.

Share of profit of joint ventures

Share of profit composed of share of profit of the Company's 47.94% owned joint venture-Rongzhong Capital and 40% owned joint venture-Rongzhong Group. Share of profit of joint ventures for the Period amounted to HK\$69.5 million, representing a decrease of 6% from HK\$73.8 million as recorded in the previous period.

Profit for the Period attributable to the owners of the company

Based on the above discussion and analysis, profit for the Period attributable to the owners of the Company was HK\$64.5 million, which decreased by HK\$20.5 million or 24% from the previous period.

Other comprehensive expenses for the Period

Other comprehensive expenses for the Period were HK\$62.4 million (2014: nil). The condensed consolidated financial statements of the Group and its joint ventures are presented in Hong Kong dollar while the functional currency is RMB. With unfavorable movement in the exchange rate of the RMB against the Hong Kong dollar during the Period, the Group recognised an exchange loss arising on translation of HK\$22.1 million and shared other comprehensive expenses of joint ventures of HK\$40.3 million.

Liquidity, financial resources and capital structure

The Group always maintains healthy liquid position and sufficient capital for business development. The Group generally financed its operations through its internal resources and bank facilities provided by banks. As at 30 September 2015, the aggregate sum of cash, bank balances and short term bank deposits amounted to HK\$339.3 million (31 March 2015: HK\$320.9 million). The working capital (current assets less current liabilities) and the total equity of the Group were HK\$641.4 million (31 March 2015: HK\$700.6 million) and HK\$2,302.7 million (31 March 2015: HK\$2,333.3 million) respectively.

As at 30 September 2015, the Group's short-term bank borrowing was HK\$11.0 million (31 March 2015: HK\$32.3 million), which was mainly used to support the expansion of the factoring service business in China. It carried fixed interest rate of 4.6% (31 March 2015: 6%) per annum. The bank borrowing was denominated in Renminbi ("RMB") which was the functional currency of the relevant operating entity. The Group has not entered into any hedging instruments to reduce interest rate risk exposure.

Management Discussion and Analysis

KEY FINANCIAL RATIO

Net asset value per share

	30 September 2015	31 March 2015
Net asset value per share (HK cents)	83.4	85.0

The condensed consolidated financial statements of the Group and its joint ventures are presented in Hong Kong dollar while the functional currency is RMB. Our net asset value per share decreased from 31 March 2015 to 30 September 2015 was mainly contributed by unfavorable movement in the exchange rate of the RMB against the Hong Kong dollar which resulted in exchange loss arising on translation recognised by the Group and its joint ventures.

Gearing ratio

	30 September 2015	31 March 2015
Gearing ratio ⁽¹⁾	0.5%	1.4%

⁽¹⁾ Gearing ratio = total bank borrowing/total equity

During the Period, the Group made use of capital leverage for our factoring operations while at the same time closely managed the Group's gearing ratio to avoid potential liquidity risk. As at 30 September 2015, the gearing ratio, which was maintained at a healthy level of 0.5%.

Charges on group assets

As at 30 September 2015, there was no charge on the Group's assets.

PRINCIPAL RISKS AND UNCERTAINTIES

Business risk

(i) Funding cost and interest income

The Group and our joint ventures principally engage in the provision of non-bank financial services to SMEs in China. The revenue, funding cost and financial condition are linked with the deposit and lending interest rates set by the People's Bank of China ("PBOC Benchmark Rate").

PBOC Benchmark Rate may fluctuate due to changes in the government's monetary policy. If we have to reduce the interest rates to reflect the decrease of the PBOC Benchmark Rate, the revenue of the financing business may decline. In addition, if there is a change in lending interest rate and the Group and our joint ventures are unable to timely adjust the interest rate charged to the customers, the earnings and financial conditions of the Group and our joint ventures may be negatively affected because of the narrowing interest rate spread.

Management Discussion and Analysis

(ii) Credit risk of SMEs in China

Credit risk refers to the risk that a customer may default on the repayment of any outstanding loan balance. Our SMEs customers generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and may have fewer financial resources to weather a downturn in the economy. Such customers expose the Group and our joint ventures to greater credit risks than lenders lending to larger, better-capitalised businesses. If, in a subsequent period, conditions such as inflation, economic downturn, policy change, adjustment of industrial structure and other factors affects the repayment status of the customers and the estimation of future cash flows of the loans, a loss may arise.

For the secured loans, the value of collateral may fluctuate and decline. In addition, the procedures for realising the value of collateral of customers in China may be protracted or ultimately unsuccessful, and the enforcement process in China may be difficult for legal and practical reasons. Management may update the assumptions used in estimating the cash flows of the loans in the regular review and the loss estimates may be revised in subsequent period.

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 RMB with some monetary assets and liabilities denominated in other foreign currencies. The Group is, thus, exposed to the fluctuation in exchange rates between RMB, 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

The Company had given a guarantee to 47.94% for the loan facilities granted by a bank to a joint venture of the Group. As at 30 September 2015, the banking facilities utilised by the relevant joint venture amounted to RMB25.2 million (equivalent to approximately HK\$30.7 million), which decreased by RMB20.0 million (equivalent to approximately HK\$24.4 million) from previous period due to partial repayment.

Capital commitment

The Company had given capital commitment for the acquisition of equipment of HK\$0.6 million (31 March 2015: nil).

Employees and remuneration policy

As at 30 September 2015, the Group had 36 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.

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

In the opinion of the Board, the Company complied with the code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the Period except for code provision E.1.2 of the CG Code, which requires the chairman of the board to attend the annual general meeting (“AGM”). The Chairman of the Board (the “Chairman”), was absent from the Company’s AGM held on 26 August 2015 due to health reason. The Deputy Chairman, the Chief Executive Officer and other Directors, together with the respective chairmen/members of the audit, nomination, remuneration committees, were available to answer the shareholders’ questions regarding the activities of the Group and various committees.

BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders’ value. The Board consists of a total of seven Directors, comprising four Executive Directors, and three Independent Non-executive Directors. At least one-third of the Board are Independent Non-executive Directors of which more than one have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Independent Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company’s Articles of Association and the CG Code.

The positions of the Chairman and the Chief Executive Officer are currently held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group’s business. Throughout the Period, the Chairman was ill and hospitalized. In the absence of the Chairman, the Deputy Chairman performed his role and presided at the meetings of the Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries to all Directors (other than the Chairman who is currently hospitalised), they confirmed that they had fully complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The Company established its audit committee (the “Audit Committee”) in June 2003 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Cheng Yuk Wo (Chairman of the Audit Committee), Mr. Ma Ho Fai SBS JP and Mr. Ng Chi Keung MH. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures, review of the Group’s financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group’s interim report for the six months ended 30 September, 2015 has been reviewed by the Audit Committee.

Corporate Governance

REMUNERATION COMMITTEE

The Company established its remuneration committee (the “Remuneration Committee”) in March 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises two Independent Non-executive Directors, namely, Mr. Cheng Yuk Wo (Chairman of the Remuneration Committee) and Mr. Ma Ho Fai SBS JP, and one Executive Director, Mr. Ding Chung Keung.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for the remuneration of Directors and the senior management, and reviewing the remuneration packages of all Executive Directors and the senior management with reference to the corporate goals and objectives of the Board resolved from time to time.

NOMINATION COMMITTEE

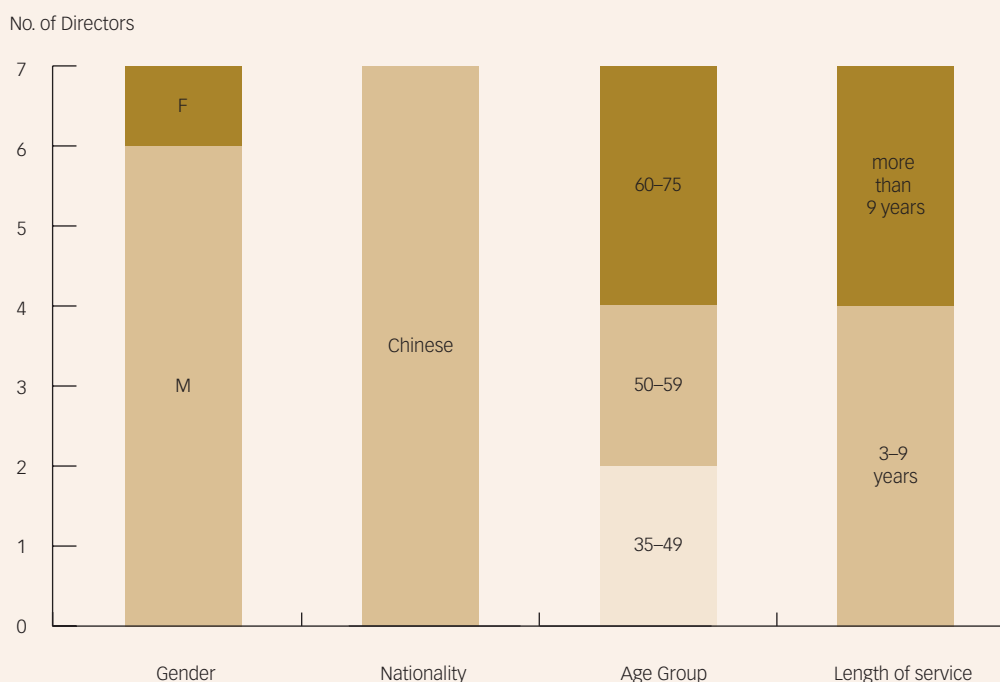
In compliance with the CG Code, the Company established its nomination committee (the “Nomination Committee”) in March 2012 with a majority of the members thereof being Independent Non-executive Directors. The Nomination Committee comprises two Independent Non-executive Directors, namely, Mr. Ng Chi Keung MH (Chairman of the Nomination Committee) and Mr. Cheng Yuk Wo, and one Executive Director, Mr. Ding Chung Keung.

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

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.



Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF GOLDBOND GROUP HOLDINGS LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Goldbond Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 12 to 30, which comprise the condensed consolidated statement of financial position as of 30 September 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 November 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2015

	Notes	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)	1.4.2014 to 30.9.2014 HK\$'000 (Unaudited)
Revenue	3	30,327	35,433
Other income		6,473	8,067
Staff costs		(9,863)	(10,561)
Other operating expenses		(5,774)	(7,169)
Change in fair values of financial liabilities		(22,107)	(11,542)
Direct finance costs		(1,136)	(151)
Other finance costs		(303)	(264)
Share of profit of joint ventures		69,488	73,813
Share of losses of associates		(260)	–
Profit before taxation	4	66,845	87,626
Taxation	5	(2,383)	(2,662)
Profit for the period		64,462	84,964
Other comprehensive expenses:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation		(22,040)	–
Share of other comprehensive expenses of joint ventures		(40,313)	–
Other comprehensive expenses for the period		(62,353)	–
Total comprehensive income for the period		2,109	84,964
Profit for the period attributable to:			
Owners of the Company		64,462	84,964
Total comprehensive income for the period attributable to:			
Owners of the Company		2,109	84,964
Earnings per share	7		
– Basic		HK 2.34 cents	HK 3.10 cents
– Diluted		HK 2.31 cents	HK 3.08 cents

Condensed Consolidated Statement of Financial Position

At 30 September 2015

	Notes	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Non-current assets			
Equipment	8	3,719	4,520
Interests in joint ventures	9	1,635,191	1,606,016
Interests in associates	10	1,272	–
Club debentures		17,957	18,639
Deferred tax asset		7,625	7,780
		1,665,764	1,636,955
Current assets			
Loan to a joint venture	9	483,919	510,600
Advances provided to customers	11	220,689	269,887
Prepayments, deposits and other receivables		1,996	3,741
Short term bank deposits			
– with original maturity within three months		332,158	72,151
– with original maturity more than three months		–	240,415
Bank balances and cash		7,158	8,342
		1,045,920	1,105,136
Current liabilities			
Other payables and accrued charges		21,390	22,496
Taxation		2,969	2,758
Bank borrowing	12	10,976	32,278
Liabilities under shareholders' agreements	13	369,159	347,052
		404,494	404,584
Net current assets		641,426	700,552
Total assets less current liabilities		2,307,190	2,337,507
Capital and reserves			
Share capital	14	829,209	822,433
Reserves		1,473,481	1,510,877
Total equity		2,302,690	2,333,310
Non-current liability			
Redeemable convertible preference shares	15	4,500	4,197
		2,307,190	2,337,507

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	Attributable to owners of the Company							
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	General reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	822,433	3,000	58,109	6,000	466	141,336	1,220,971	2,252,315
Profit and total comprehensive income for the year	-	-	-	-	-	-	118,209	118,209
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	(41,175)	(41,175)
Lapse of share options	-	-	(413)	-	-	-	413	-
Recognition of equity-settled share-based payments	-	-	3,961	-	-	-	-	3,961
Transferred to statutory surplus reserve	-	-	-	-	356	-	(356)	-
At 31 March 2015 (audited)	822,433	3,000	61,657	6,000	822	141,336	1,298,062	2,333,310
Exchange differences arising on translation	-	-	-	-	-	(22,040)	-	(22,040)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	(40,313)	-	(40,313)
Profit for the period	-	-	-	-	-	-	64,462	64,462
Total comprehensive (expense) income for the period	-	-	-	-	-	(62,353)	64,462	2,109
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	(41,429)	(41,429)
Exercise of share options	6,789	-	(1,340)	-	-	-	-	5,449
Expenses incurred in connection with issue of shares	(13)	-	-	-	-	-	-	(13)
Recognition of equity-settled share-based payments (Note 16)	-	-	3,264	-	-	-	-	3,264
At 30 September 2015 (unaudited)	829,209	3,000	63,581	6,000	822	78,983	1,321,095	2,302,690
At 1 April 2014 (audited)	822,433	3,000	58,109	6,000	466	141,336	1,220,971	2,252,315
Profit and total comprehensive income for the period	-	-	-	-	-	-	84,964	84,964
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	(41,175)	(41,175)
Lapse of share options	-	-	(198)	-	-	-	198	-
Recognition of equity-settled share-based payments (Note 16)	-	-	616	-	-	-	-	616
At 30 September 2014 (unaudited)	822,433	3,000	58,527	6,000	466	141,336	1,264,958	2,296,720

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 China accounting rules and financial regulations before any distribution of dividends to equity holders each year to the statutory surplus reserve until their balances reach 50% of their respective registered capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2015

	Notes	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)	1.4.2014 to 30.9.2014 HK\$'000 (Unaudited)
Net cash from (used in) operating activities			
Decrease (increase) in advances provided to customers		38,779	(157,858)
Other operating activities		48,128	(16,632)
		86,907	(174,490)
Net cash from investing activities			
Release of short term bank deposits with original maturity more than three months		240,415	71,100
Placement of short term bank deposits with original maturity more than three months		–	(28,424)
Interest received		5,315	7,473
Investments in associates		(1,532)	–
Proceeds from disposal of equipment	8	–	388
Purchase of equipment	8	(185)	(750)
		244,013	49,787
Net cash (used in) from financing activities			
Bank borrowings raised		47,685	72,152
Repayment of bank borrowings		(67,644)	–
Proceeds from issue of shares		5,449	–
Payment for transaction costs attributable to issue of shares		(13)	–
Dividends paid	6	(41,429)	(41,175)
Interest paid		(1,136)	(151)
		(57,088)	30,826
Net increase (decrease) in cash and cash equivalents		273,832	(93,877)
Cash and cash equivalents at beginning of the period		80,493	411,886
Effect of foreign exchange rate changes		(15,009)	–
Cash and cash equivalents at end of the period		339,316	318,009
Analysis of balances of cash and cash equivalents			
Bank balances and cash		7,158	117,519
Short term bank deposits with original maturity within three months		332,158	200,490
		339,316	318,009

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). In preparing the condensed consolidated financial statements, the Group has not taken into account the amendments to Appendix 16 to the Listing Rules issued by the Stock Exchange in early 2015 that are effective for accounting period ending on or after 31 December 2015.

The financial information relating to the financial year ended 31 March 2015 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKFRSs Annual improvements to HKFRSs 2010-2012 cycle
- Amendments to HKFRSs Annual improvements to HKFRSs 2011-2013 cycle
- Amendments to HKAS 19 Defined benefit plans: Employee contributions

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

3. SEGMENT INFORMATION

The Group's operating segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess performance, are summarised as follows:

- (a) financing service segment: provision of financing services through subsidiaries and provision of financing services and loan guarantee services through a joint venture;
- (b) factoring service segment: provision of factoring services; and
- (c) financial leasing service segment: provision of financial leasing services through a joint venture.

The segment information is reported below.

Segment revenue and results

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

Six months ended 30 September 2015

	Financing service HK\$'000	Factoring service HK\$'000 (Note)	Financial leasing service HK\$'000	Total HK\$'000
Revenue from customers	19,236	11,091	–	30,327
Share of profit of joint ventures	54,433	–	15,055	69,488
	73,669	11,091	15,055	99,815
Segment results	72,023	8,482	15,055	95,560
Unallocated other income				5,315
Change in fair values of financial liabilities				(22,107)
Central administration costs				(12,387)
Net exchange gain				1,027
Other finance costs				(303)
Share of losses of associates				(260)
Profit before taxation				66,845

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

3. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Six months ended 30 September 2014

	Financing service HK\$'000	Factoring service HK\$'000 (Note)	Financial leasing service HK\$'000	Total HK\$'000
Revenue from customers	29,354	6,079	–	35,433
Share of profit of joint ventures	56,954	–	16,859	73,813
	86,308	6,079	16,859	109,246
Segment results	82,270	5,781	16,859	104,910
Unallocated other income				7,473
Change in fair values of financial liabilities				(11,542)
Central administration costs				(12,951)
Other finance costs				(264)
Profit before taxation				87,626

Segment results represent the profit earned by each segment and share of profit of joint ventures without allocation of central administration costs, other income (primarily bank interest income), change in fair values of financial liabilities, net exchange gain, other finance costs and share of losses of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Note: Included in segment results are direct finance costs of HK\$1,136,000 (HK\$151,000 for the six months ended 30 September 2014) attributable to the factoring service business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 30 September 2015

	Financing service HK\$'000	Factoring service HK\$'000	Financial leasing service HK\$'000	Total HK\$'000
Assets				
Segment assets	1,869,769	146,926	324,952	2,341,647
Interests in associates				1,272
Unallocated assets				368,765
Total assets				2,711,684
Liabilities				
Segment liabilities	193	11,279	–	11,472
Unallocated liabilities				397,522
Total liabilities				408,994

At 31 March 2015

	Financing service HK\$'000	Factoring service HK\$'000	Financial leasing service HK\$'000	Total HK\$'000
Assets				
Segment assets	1,915,065	151,970	321,064	2,388,099
Unallocated assets				353,992
Total assets				2,742,091
Liabilities				
Segment liabilities	153	32,502	–	32,655
Unallocated liabilities				376,126
Total liabilities				408,781

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments other than the interests in associates, club debentures, deferred tax asset, short term bank deposits, bank balances and cash, and certain corporate assets for central administrative uses. All liabilities are allocated to reportable segments other than taxation payable, liabilities under shareholders' agreements, redeemable convertible preference shares and certain corporate liabilities incurred for central administrative purpose.

Revenue represents income generated from external customers in China of HK\$12,648,000 (HK\$12,659,000 for the six months ended 30 September 2014) and loan interest income generated from a joint venture in China of HK\$17,679,000 (HK\$22,774,000 for the six months ended 30 September 2014).

4. PROFIT BEFORE TAXATION

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

	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)	1.4.2014 to 30.9.2014 HK\$'000 (Unaudited)
Impairment losses on advances provided to customers	516	1,899
Imputed interest on redeemable convertible preference shares	303	264
Interest on bank borrowings repayable within one year	1,136	151
Depreciation of equipment	911	608
Operating lease rentals in respect of properties	1,818	1,743
Interest income from bank deposits	(5,315)	(7,473)
Net exchange gain	(1,027)	–
Gain on disposal of equipment	–	(388)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

5. TAXATION

	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)	1.4.2014 to 30.9.2014 HK\$'000 (Unaudited)
The charge comprises:		
Current tax		
Enterprise Income Tax in China		
– Provision for the current period	2,506	3,136
– Underprovision in prior year	6	–
	2,512	3,136
Deferred taxation	(129)	(474)
	2,383	2,662

Taxation for subsidiaries in China is calculated at the appropriate current rate of taxation in China.

Deferred taxation has not been recognised in respect of the temporary differences attributable to the accumulated profits of the subsidiaries in China totalling HK\$12,051,000 (31 March 2015: HK\$7,004,000) 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.

6. DIVIDENDS

	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)	1.4.2014 to 30.9.2014 HK\$'000 (Unaudited)
Dividends recognised as distribution and paid during the period:		
Final dividends of HK 1.5 cents per share in respect of the year ended 31 March 2015 (2014: In respect of the year ended 31 March 2014 of HK 1.5 cents per share)		
	41,429	41,175

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2015 (nil for the six months ended 30 September 2014).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

7. EARNINGS PER SHARE

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

	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)	1.4.2014 to 30.9.2014 HK\$'000 (Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	64,462	84,964
Number of shares:	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,754,045	2,745,013
Effect of dilutive potential ordinary shares:		
Share options	33,815	10,790
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,787,860	2,755,803

8. MOVEMENTS IN EQUIPMENT

During the period, the Group incurred HK\$185,000 (HK\$750,000 for the six months ended 30 September 2014) to acquire equipment for its business use.

In addition, the Group disposed of certain equipment with an aggregate carrying amount of nil for cash proceeds of HK\$388,000, resulting in a gain on disposal of HK\$388,000 for the six months ended 30 September 2014. There was no such disposal in the six months ended 30 September 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

9. INTERESTS IN JOINT VENTURES/LOAN TO A JOINT VENTURE

As at 30 September 2015 and 31 March 2015, the Group had interests in the following significant joint ventures:

Name of joint venture	Form of business structure	Place of incorporation	Principal place of operation	Effective ownership interest indirectly held by the Company		Proportion of voting power held by the Group (Note)		Principal activity
				30.9.2015	31.3.2015	30.9.2015	31.3.2015	
Rongzhong Group Limited ("Rongzhong Group")	Limited	British Virgin Islands	China	40%	40%	40%	40%	Provision for financing and loan guarantee services
Rongzhong Capital Holdings Limited ("Rongzhong Capital")	Limited	British Virgin Islands	China	47.94%	47.94%	47.94%	47.94%	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 the major decisions require the unanimous consent among the shareholders.

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Cost of investments in joint ventures, unlisted	1,316,317	1,316,317
Share of post-acquisition profit and other comprehensive income, net of dividends received	318,874	289,699
	1,635,191	1,606,016

As at 30 September 2015, the unsecured loan to a joint venture, Rongzhong Group, of HK\$483,919,000 (31 March 2015: HK\$510,600,000) 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 expected to be repaid within one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

10. INTERESTS IN ASSOCIATES

	30.9.2015	31.3.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cost of investments in associates, unlisted	1,532	–
Share of losses of associates	(260)	–
	1,272	–

Particulars of the associates as at 30 September 2015 are as follows:

Name of associate	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 by the Group	Principal activity
Allied Golden Capital Fund I (Cayman) Company Limited	Limited	Cayman Islands/ Hong Kong	US\$2,000	19.90%	19.90%	Investment holding
Goldbond Capital Investments Limited	Limited	Cayman Islands/ Hong Kong	US\$400,000	49%	49%	Provision for fund management service

11. ADVANCES PROVIDED TO CUSTOMERS

	30.9.2015	31.3.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Advances provided to customers	251,184	301,005
Less: Impairment allowances	(30,495)	(31,118)
	220,689	269,887

As at 30 September 2015, 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 and factoring facility agreements. The balances were secured by assets such as properties, bank's acceptance bills, and equity interests in certain private entities in China where applicable.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

12. BANK BORROWING

During the period, the Group obtained bank borrowings of HK\$47,685,000 (HK\$72,152,000 for the six months ended 30 September 2014) and repaid bank borrowings of HK\$67,644,000 (nil for the six months ended 30 September 2014). The bank borrowing carried fixed interest of 4.6% per annum as at 30 September 2015 (31 March 2015: carried fixed interest of 6.0% per annum).

13. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS

	30.9.2015	31.3.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current		
Call option	2,551	3,589
Provision for share subscription	315,240	312,000
Estimated liability	51,368	31,463
Total	369,159	347,052

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 in relation to the Group were issued. Definitions of the capitalised terms and other details are set forth in the 2011 Circular.

Call option

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

As at 30 September 2015, 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	30.9.2015	31.3.2015
Fair value at measurement dates (HK\$)	2,551,000	3,589,000
Exercise price (HK\$)	82.03	82.03
Expected volatility	63.120%	38.093%
Expected dividends	–	–
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.0150%	0.0703%

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").

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

13. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

Provision for share subscription (continued)

As at 30 September 2015, 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	30.9.2015	31.3.2015
Fair value at measurement dates (HK\$)	315,240,000	312,000,000
Expected date of a triggering event to occur	31 December 2015	31 December 2015
Subscription price (HK\$)	315,240,000	315,240,000
Discount rate (prevailing market lending rate in Hong Kong)	N/A	4.218%

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 fulfil their respective obligations for the Share Subscription (applicable to Rongzhong Group only, with details disclosed in the section headed "Provision for Share Subscription" above); 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 30 September 2015, 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. Silver Creation is eligible to elect for one of the above options (applicable to Rongzhong Group only) and the total financial impact will be the amount of provision for share subscription plus estimated liability (if Silver Creation does not opt for Share Subscription).

The provision for share subscription and estimated liability refer to the Group's estimated liabilities for fulfilling the aforesaid obligation(s) under the shareholders' agreements, which were based on managements' assumptions. However, the decision of Silver Creation on whether to exercise its right(s), and hence its choice among the two options (applicable to Rongzhong Group) may trigger significant changes in the business operation and future development of Rongzhong Group and/or Rongzhong Capital by varying degrees and the value of our interests in these two companies. The Company will make further assessment(s) in relation thereto as and when appropriate.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

13. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS (continued)

Estimated liability (continued)

If the unobservable input regarding the probability of the triggering event to occur to the valuation model was 5% change while all the other variables were held constant, the carrying amount of the estimated liability would increase/decrease by HK\$2,568,000.

The Group used valuation techniques to determine the fair value of certain derivatives when it is unable to obtain the open market quotation in active markets.

For the six months ended 30 September 2015 and the year ended 31 March 2015, there were no transfers in/out for level 3 of the fair value hierarchy. The change in fair values of HK\$22,107,000 (HK\$11,542,000 for the six months ended 30 September 2014) was recognised in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 April 2014 and 31 March 2015	2,745,013	822,433
Issue of shares upon exercise of share options	16,900	6,789
Expenses incurred in connection with issue of shares	–	(13)
At 30 September 2015	2,761,913	829,209

During the period, 250,000, 1,300,000, 2,850,000 and 12,500,000 share options were exercised at subscription prices of HK\$0.50, HK\$0.36, HK\$0.41 and HK\$0.295 per share respectively, resulting in the issue of 16,900,000 ordinary shares in the Company.

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

15. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As at 30 September 2015, 68,400,000 (31 March 2015: 68,400,000) preference shares were in issue.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

16. 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 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 has one share option scheme in operation for eligible directors of the Company and eligible employees of the Group and other participants. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 April 2015	368,300,000
Exercised during the period	(16,900,000)
Outstanding at 30 September 2015	351,400,000

The following assumptions were used to calculate the fair value of share options granted during the prior period:

	Executive directors	Employees
Grant dates	14 October 2014	14 October 2014
Fair value at measurement dates (HK\$)	0.135	0.122
Share price (HK\$)	0.360	0.360
Exercise price (HK\$)	0.360	0.360
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	45.35%	45.35%
Option life	10 years	10 years
Expected dividends	4.17%	4.17%
Risk-free interest rate (based on Exchange Fund Notes)	1.75%	1.75%
Post-vesting exit rate	0.47%	8.38%
Exercise cap	280%	220%

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 14 October 2014, the date of the grant, was HK\$0.36. The exercise price is HK\$0.36. The estimated fair value of the share options granted on that date was HK\$11,884,000.

The Group recognised total expenses of HK\$3,264,000 (HK\$616,000 for the six months ended 30 September 2014) relating to share option payment transactions for the six months ended 30 September 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

17. CAPITAL COMMITMENT

As at 30 September 2015, the Group had the following capital commitment:

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Commitment for the acquisition of equipment	601	–

18. OPERATING LEASE COMMITMENTS

As at 30 September 2015, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

As lessee

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

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Within one year	4,008	5,201
After one year but within five years	1,297	2,853
	5,305	8,054

19. CONTINGENT LIABILITIES

As at 30 September 2015, the Group had given a guarantee to bank borrowings of RMB25,200,000 equivalent to approximately HK\$30,732,000 (31 March 2015: RMB45,200,000 equivalent to approximately HK\$57,215,000) to a joint venture of the Group. The guarantee provided by the Group was approximately 47.94% (31 March 2015: 47.94%) of all sums payable by the borrower.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

20. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)	1.4.2014 to 30.9.2014 HK\$'000 (Unaudited)
Short-term employee benefits	3,243	7,163
Post-employment benefits	21	26
Share-based payments	1,788	67
	5,052	7,256

(b) Transactions with related parties

	1.4.2015 to 30.9.2015 HK\$'000 (Unaudited)	1.4.2014 to 30.9.2014 HK\$'000 (Unaudited)
Loan interest income received from a joint venture	17,679	22,774
Rental expense paid to a related company with common controlling shareholders	(1,314)	(1,314)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 September 2015, 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 (Note 11)
		Personal Interest	Corporate Interest	Other Interest		
Mr. Wong Yu Lung, Charles ("Mr. Wong")	Beneficial owner, founder & trustee of a discretionary trust	103,000,000 (Note 1)	–	855,808,725 (Note 2)	958,808,725	34.72%
Ms. Wong, Michelle Yatye ("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	57.38%
Mr. Wang Jun ("Mr. Wang")	Beneficial owner & interest of controlled corporations	25,000,000 (Notes 5)	101,251,300 (Note 6)	–	126,251,300	4.57%
Mr. Ding Chung Keung ("Mr. Ding")	Beneficial owner	124,230,000 (Note 7)	–	–	124,230,000	4.50%
Mr. Ma Ho Fai SBS JP ("Mr. Ma")	Beneficial owner	2,700,000 (Note 8)	–	–	2,700,000	0.10%
Mr. Cheng Yuk Wo ("Mr. Cheng")	Beneficial owner	4,200,000 (Note 9)	–	–	4,200,000	0.15%
Mr. Ng Chi Keung MH ("Mr. Ng")	Beneficial owner	2,600,000 (Note 10)	–	–	2,600,000	0.09%

Other Information

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

Long positions in shares of US\$0.1 each of an associated corporation, namely, Goldbond Capital Investments Limited.

Name of Director	Capacity	Number of shares	Approximate % of Shareholding (Note 12)
Mr. Wong	Trustee of a trust	124,000	31%
Ms. Michelle Wong	Beneficiary of a trust	124,000	31%

Notes:

- Such interests are underlying Shares derived from share options granted to Mr. Wong under the 2002 Scheme and the 2012 Scheme (as defined under the paragraph "SHARE OPTION SCHEMES" on page 34 of this report).
- 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 Wong, Jacqueline Yue Yee ("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.
- Such interests are underlying Shares derived from share options granted to Ms. Michelle Wong under the 2002 Scheme.
- 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.
- Such interests are underlying Shares derived from share options granted to Mr. Wang under the 2002 Scheme.
- Such Shares are held by a company of which Mr. Wang is interested in the entire issued share capital.
- Such interests include 21,230,000 Shares and 103,000,000 underlying Shares derived from share options granted to Mr. Ding under the 2002 Scheme and the 2012 Scheme.
- 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.
- Such interests are underlying Shares derived from share options granted to Mr. Cheng under the 2002 Scheme.
- Such interests are underlying Shares derived from share options granted to Mr. Ng under the 2012 Scheme.
- As at 30 September 2015, there was a total of 2,761,912,843 Shares in issue.
- As at 30 September 2015, there was a total of 400,000 Shares of Goldbond Capital Investments Limited in issue.

Save as disclosed above, as at 30 September 2015, 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 30 September 2015, 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 (Note 5)
Mrs. Wong	(i) Interest of spouse	103,000,000 <i>(Note 1)</i>	958,808,725	34.72%
	(ii) Trustee	855,808,725 <i>(Note 2)</i>		
Miss Jacqueline Wong	(i) Interest in controlled corporation	715,846,792 <i>(Note 3)</i>	1,571,655,517	56.90%
	(ii) Beneficiary of a trust	855,808,725 <i>(Note 2)</i>		
Mr. Kwok Wing-Sien ("Mr. Kwok")	Interest of spouse	1,584,655,517 <i>(Note 4)</i>		57.38%
Allied Luck Trading Limited ("Allied Luck")	Beneficial owner	855,808,725 <i>(Note 2)</i>		30.99%
Ace Solomon Investments Limited ("Ace Solomon")	Beneficial owner	715,846,792 <i>(Note 3)</i>		25.92%
Aceyork Investment Limited ("Aceyork")	Interest in controlled corporation	715,846,792 <i>(Note 3)</i>		25.92%
Allied Golden Investment Limited ("Allied Golden")	Interest in controlled corporation	715,846,792 <i>(Note 3)</i>		25.92%

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 32 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 32 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.
- As at 30 September 2015, there was a total of 2,761,912,843 Shares in issue.

Save as disclosed above, as at 30 September 2015, 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.

Other Information

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 movements of share options under the 2002 Scheme during the Period were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period (Note 2)	Outstanding at 31/3/15	Exercised during the Period (Note 3)	Outstanding at 30/9/15
Directors						
Mr. Wang	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	–	25,000,000
Mr. Wong	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	–	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	–	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	–	26,000,000
Mr. Ding	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	–	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	–	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	–	26,000,000
Ms. Michelle Wong	1/2/2011	0.410	1/2/2014 – 31/1/2021	13,000,000	–	13,000,000
Mr. 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
Eligible employees (in aggregate)	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	–	16,000,000
	17/8/2007	1.014	17/8/2010 – 16/8/2017	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	(1,300,000)	600,000
	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	11,250,000	(2,850,000)	8,400,000
				246,400,000	(4,400,000)	242,000,000

SHARE OPTION SCHEMES (continued)

Details of the movements of share options under the 2012 Scheme during the Period were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period (Note 2)	Outstanding at 31/3/15	Exercised during the Period (Note 3)	Outstanding at 30/9/15
Director						
Mr. Wong	14/10/2014	0.360	14/10/2016 – 13/10/2024	26,000,000	–	26,000,000
Mr. Ding	14/10/2014	0.360	14/10/2016 – 13/10/2024	26,000,000	–	26,000,000
Mr. Ng	28/6/2013	0.295	28/6/2015 – 27/6/2023	2,600,000	–	2,600,000
Eligible employees (in aggregate)	28/6/2013	0.295	28/6/2015 – 27/6/2023	27,300,000	(12,500,000)	14,800,000
	14/10/2014	0.360	14/10/2016 – 13/10/2024	40,000,000	–	40,000,000
				121,900,000	(12,500,000)	109,400,000

Notes:

1. During the Period, no share options were granted, lapsed or cancelled under the 2002 Scheme and 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 weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.597.

Other Information

CHANGE IN INFORMATION OF DIRECTORS

Up to the date of this report, except for the following, there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	Details of changes
Mr. Cheng	<ol style="list-style-type: none">1. appointed on 15 September 2014 as an independent non-executive director of Chia Tai Enterprises International Limited, a company listed on 3 July 2015 on the Stock Exchange, and also the chairman of its audit committee and remuneration committee and a member of its nomination committee.2. appointed as an independent non-executive director, the chairman of audit committee and a member of nomination committee and remuneration committee of UDL Holdings Limited with effect from 2 November 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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