



# GOLDBOND GROUP HOLDINGS LIMITED

## 金榜集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 00172)

### PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The board of directors (the “Board”) of Goldbond Group Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2009 together with comparative figures for the corresponding year in 2008.

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

|  | Notes | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Continuing operations</b>                                     |       |                  |                  |
| Turnover   | 3     | 351,128          | 226,598          |
| Other income   |       | 29,674           | 25,794           |
| Change in fair value of derivative component of convertible note |       | 15,801           | 14,463           |
| Gain on disposal of associates                                   |       | –                | 25,364           |
| Staff costs  |       | (62,519)         | (48,131)         |
| Other operating expenses   |       | (108,329)        | (56,857)         |
| Share of profits of associates                                   |       | 7,910            | 4,218            |
| Finance costs  | 5     | (21,963)         | (22,569)         |
| Profit before taxation   | 6     | 211,702          | 168,880          |
| Taxation   | 7     | (45,142)         | (12,794)         |
| Profit for the year from continuing operations                   |       | <b>166,560</b>   | 156,086          |
| <b>Discontinued operation</b>                                    |       |                  |                  |
| (Loss) profit for the year from discontinued operation           | 6 & 8 | (169)            | 25,330           |
| Profit for the year  |       | <b>166,391</b>   | <b>181,416</b>   |
| Attributable to:   |       |                  |                  |
| Equity holders of the Company                                    |       | 149,404          | 180,228          |
| Minority interests   |       | 16,987           | 1,188            |
|  |       | <b>166,391</b>   | <b>181,416</b>   |
| Earnings per share   |       |                  |                  |
| From continuing and discontinued operations                      | 9     |                  |                  |
| – Basic  |       | 5.68 cents       | 7.82 cents       |
| – Diluted  |       | 5.18 cents       | 6.56 cents       |
| From continuing operations                                       |       |                  |                  |
| – Basic  |       | 5.68 cents       | 6.72 cents       |
| – Diluted  |       | 5.18 cents       | 5.61 cents       |

## CONSOLIDATED BALANCE SHEET

As at 31 March 2009

|  |              | <u>2009</u>      | <u>2008</u>      |
|--|--------------|------------------|------------------|
|  | <i>Notes</i> | <i>HK\$'000</i>  | <i>HK\$'000</i>  |
| <b>Non-current assets</b>  |              |                  |                  |
| Plant and equipment  |              | 9,904            | 9,491            |
| Consideration receivable from disposal of associates                       |              | –                | 12,465           |
| Deposit  |              | 11,415           | –                |
| Interest in an associate   |              | 63,149           | –                |
| Goodwill   |              | 103,686          | 103,686          |
| Intangible assets  |              | 2,090            | 2,459            |
| Loan receivables   | 10           | 167,989          | 124,954          |
| Finance lease receivables  |              | 10,243           | –                |
| Club debentures  |              | 16,545           | 16,181           |
|  |              | <u>385,021</u>   | <u>269,236</u>   |
| <b>Current assets</b>  |              |                  |                  |
| Properties held for sale   |              | 9,000            | 8,802            |
| Consideration receivable from disposal of associates                       |              | 20,437           | –                |
| Account receivables and advances provided to customers                     | 11           | 692,098          | 697,345          |
| Prepayments and deposits   |              | 9,533            | 25,501           |
| Finance lease receivables  |              | 8,235            | –                |
| Security deposits  |              | 105,302          | 67,097           |
| Short term bank deposits   |              |                  |                  |
| – with original maturity within three months                               |              | 157,921          | 342,907          |
| – with original maturity more than three months                            |              | 84,769           | –                |
| Bank balances and cash   |              | 337,162          | 86,685           |
|  |              | <u>1,424,457</u> | <u>1,228,337</u> |
| Non-current assets classified as held for sale                             |              | –                | 15,000           |
|  |              | <u>1,424,457</u> | <u>1,243,337</u> |
| <b>Current liabilities</b>   |              |                  |                  |
| Amount due to an associate   |              | 17,188           | –                |
| Other payables and accrued charges   |              | 144,295          | 108,177          |
| Deferred income  |              | 22,737           | 13,537           |
| Taxation   |              | 18,995           | 10,460           |
| Bank borrowings  |              | 122,472          | 109,890          |
| Liabilities arising from financial guarantee contracts                     | 12           | 6,910            | 4,043            |
|  |              | <u>332,597</u>   | <u>246,107</u>   |
| Liabilities associated with non-current assets classified as held for sale |              | –                | 15,000           |
|  |              | <u>332,597</u>   | <u>261,107</u>   |
| Net current assets   |              | <u>1,091,860</u> | <u>982,230</u>   |
|  |              | <u>1,476,881</u> | <u>1,251,466</u> |

|  | <u>2009</u>             | <u>2008</u>             |
|--|-------------------------|-------------------------|
|  | <i>HK\$'000</i>         | <i>HK\$'000</i>         |
| <b>Capital and reserves</b>                          |                         |                         |
| Share capital  | 266,956                 | 259,796                 |
| Reserves   | <u>996,548</u>          | <u>777,102</u>          |
| Equity attributable to equity holders of the Company | <b>1,263,504</b>        | 1,036,898               |
| Minority interests                                   | <u>103,998</u>          | <u>77,045</u>           |
| Total equity   | <u><b>1,367,502</b></u> | <u>1,113,943</u>        |
| <b>Non-current liabilities</b>                       |                         |                         |
| Customer deposits                                    | 5,245                   | –                       |
| Deferred income                                      | 14,110                  | 10,589                  |
| Convertible notes                                    | 72,532                  | 125,356                 |
| Redeemable convertible preference shares             | 1,815                   | 1,578                   |
| Deferred taxation                                    | <u>15,677</u>           | <u>–</u>                |
|  | <u>109,379</u>          | <u>137,523</u>          |
|  | <u><b>1,476,881</b></u> | <u><b>1,251,466</b></u> |

## 1. BASIS OF PREPARATION

The financial results have been prepared in accordance with Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRS”s), Hong Kong Accounting Standards (“HKAS”s) and Interpretations (“INT”s) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the Hong Kong Companies Ordinance. The financial results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

### Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2009 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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

In the current year, the Group has applied the following amendments of HKFRSs, HKASs and INTs (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA which are or have become effective.

|                                   |   |
|-----------------------------------|---|
| HKAS 39 & HKFRS 7<br>(Amendments) | Reclassification of financial assets  |
| HK(IFRIC)* – INT 12               | Service concession arrangements   |
| HK(IFRIC) – INT 14                | HKAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction |

\* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Besides, the Group has early adopted HKFRS 8 “Operating segments” (“HKFRS 8”) in the current year in advance of its effective date. Amounts reported for the prior year have been restated on the new basis.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

|  |   |
|--|---|
| HKFRSs (Amendments)                        | Improvements to HKFRSs <sup>1</sup>   |
| HKFRSs (Amendments)                        | Improvements to HKFRSs 2009 <sup>2</sup>  |
| HKAS 1 (Revised)                           | Presentation of financial statements <sup>3</sup>   |
| HKAS 23 (Revised)                          | Borrowing costs <sup>3</sup>  |
| HKAS 27 (Revised)                          | Consolidated and separate financial statements <sup>4</sup>                                   |
| HKAS 32 & 1 (Amendments)                   | Puttable financial instruments and obligations arising on liquidation <sup>3</sup>            |
| HKAS 39 (Amendment)                        | Eligible hedged items <sup>4</sup>  |
| HKFRS 1 & HKAS 27<br>(Amendments)          | Cost of an investment in a subsidiary, jointly controlled entity or<br>associate <sup>3</sup> |
| HKFRS 2 (Amendment)                        | Vesting conditions and cancellations <sup>3</sup>   |
| HKFRS 3 (Revised)                          | Business combinations <sup>4</sup>  |
| HKFRS 7 (Amendment)                        | Improving disclosures about financial instruments <sup>3</sup>                                |
| HK(IFRIC) – INT 9 & HKAS 39<br>(Amendment) | Embedded derivatives <sup>5</sup>   |
| HK(IFRIC) – INT 13                         | Customer loyalty programmes <sup>6</sup>  |
| HK(IFRIC) – INT 15                         | Agreements for the construction of real estate <sup>3</sup>                                   |
| HK(IFRIC) – INT 16                         | Hedges of a net investment in a foreign operation <sup>7</sup>                                |
| HK(IFRIC) – INT 17                         | Distribution of non-cash assets to owners <sup>4</sup>  |
| HK(IFRIC) – INT 18                         | Transfer of assets from customers <sup>8</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>5</sup> Effective for annual periods ending on or after 30 June 2009

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>7</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>8</sup> Effective for transfer on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER

Turnover represents the financial service income arising on provision of financing services, loan guarantee services and finance lease services in the People's Republic of China other than Hong Kong (the "PRC"), and the gross rental income derived from the investment properties situated in Hong Kong.

|   | <u>2009</u>     | <u>2008</u>     |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Continuing operations                     |                 |                 |
| Financing services income ( <i>Note</i> ) | 245,420         | 113,842         |
| Loan guarantee services income            | 104,561         | 112,756         |
| Finance income from leases                | 1,147           | –               |
|   | <u>351,128</u>  | 226,598         |
| Discontinued operation                    |                 |                 |
| Gross rental income                       | –               | 2,792           |
|   | <u>351,128</u>  | <u>229,390</u>  |

*Note:* Included in financing services income is interest income of HK\$67,825,000 (2008: HK\$16,328,000). The remaining balance represents handling fee income and consultancy fee income received in relation to the financial services provided.

#### 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 in advance of its effective date, with effect from 1 April 2008. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 “Segment reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group’s operating segments has changed.

In prior years, segment information reported externally was analysed on the basis of the types of services provided by the Group’s operating divisions (i.e., financing services, loan guarantee services, consultancy and management services, and property leasing and development division). However, information reported to the Group’s Chief Executive Officer for the purposes of resource allocation and assessment of performance focuses more specifically on the category of customers for financing services, loan guarantee services and the provision of finance lease services which was commenced in August 2008, and property leasing and development division which was discontinued in 2007 and considering that the consultancy and management services are only ancillary services of financing services and loan guarantee services. The Group’s reportable segments under HKFRS 8 are therefore as follows:

- (a) Provision of financing services including bridge financing and provision of long term loans in the PRC;
- (b) Provision of loan guarantee services for guaranteeing loans for consumable purchase, educational fund, residential renovation, mobile phones, motor vehicles, real estate property, etc.; and
- (c) Provision of finance lease services.

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

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

##### Year ended 31 March 2009

|  | Continuing operations |                         |                        |                 | Discontinued operation           | Consolidated    |
|--|-----------------------|-------------------------|------------------------|-----------------|----------------------------------|-----------------|
|  | Financing services    | Loan guarantee services | Finance lease services | Total           | Property leasing and development |                 |
|  | HK\$’000              | HK\$’000                | HK\$’000               | HK\$’000        | HK\$’000                         | HK\$’000        |
| Revenue from external customers                                  | <u>245,420</u>        | <u>104,561</u>          | <u>1,147</u>           | <u>351,128</u>  | <u>-</u>                         | <u>351,128</u>  |
| Segment results  | <u>147,190</u>        | <u>72,041</u>           | <u>877</u>             | 220,108         | -                                | 220,108         |
| Investment income  |                       |                         |                        | 9,193           | 1                                | 9,194           |
| Change in fair value of derivative component of convertible note |                       |                         |                        | 15,801          | -                                | 15,801          |
| Unallocated corporate expenses                                   |                       |                         |                        | (19,347)        | (171)                            | (19,518)        |
| Finance costs  |                       |                         |                        | (21,963)        | -                                | (21,963)        |
| Share of profits of an associate                                 |                       |                         |                        | <u>7,910</u>    | <u>-</u>                         | <u>7,910</u>    |
| Profit (loss) before taxation                                    |                       |                         |                        | 211,702         | (170)                            | 211,532         |
| Taxation   |                       |                         |                        | <u>(45,142)</u> | <u>1</u>                         | <u>(45,141)</u> |
| Profit (loss) for the year                                       |                       |                         |                        | <u>166,560</u>  | <u>(169)</u>                     | <u>166,391</u>  |

Year ended 31 March 2008 (restated)

|  | Continuing operations |                         |                        | Total           | Discontinued operation           | Consolidated    |
|--|-----------------------|-------------------------|------------------------|-----------------|----------------------------------|-----------------|
|  | Financing services    | Loan guarantee services | Finance lease services |                 | Property leasing and development |                 |
|  | <i>HK\$'000</i>       | <i>HK\$'000</i>         | <i>HK\$'000</i>        |                 | <i>HK\$'000</i>                  |                 |
| Revenue from external customers                                  | <u>113,842</u>        | <u>112,756</u>          | <u>–</u>               | <u>226,598</u>  | <u>2,792</u>                     | <u>229,390</u>  |
| Segment results  | <u>86,998</u>         | <u>64,739</u>           | <u>–</u>               | 151,737         | 1,025                            | 152,762         |
| Gain on disposal of property leasing and development business    |                       |                         |                        | –               | 25,109                           | 25,109          |
| Investment income  |                       |                         |                        | 24,305          | 228                              | 24,533          |
| Gain on disposal of associates                                   |                       |                         |                        | 25,364          | –                                | 25,364          |
| Change in fair value of derivative component of convertible note |                       |                         |                        | 14,463          | –                                | 14,463          |
| Unallocated corporate (expenses) income                          |                       |                         |                        | (28,638)        | 5                                | (28,633)        |
| Finance costs  |                       |                         |                        | (22,569)        | (685)                            | (23,254)        |
| Share of profits of associates                                   |                       |                         |                        | 4,218           | –                                | 4,218           |
| Share of losses of jointly controlled entities                   |                       |                         |                        | –               | (772)                            | (772)           |
| Profit before taxation   |                       |                         |                        | 168,880         | 24,910                           | 193,790         |
| Taxation   |                       |                         |                        | <u>(12,794)</u> | <u>420</u>                       | <u>(12,374)</u> |
| Profit for the year  |                       |                         |                        | <u>156,086</u>  | <u>25,330</u>                    | <u>181,416</u>  |

All of the segment revenue reported above is from external customers.

Segment results represent the profit earned by each segment without allocation of central administration costs, investment income, change in fair value of derivative component of convertible note, finance costs, share of profits of associates, share of losses of jointly controlled entities, gain on disposal of associates and gain on disposal of property leasing and development business. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

An analysis of the Group's other material non-cash items by operating segments is as follows:

**Year ended 31 March 2009**

|   | Continuing operations |                         |                        |             | Total         | Discontinued operation           | Consolidated  |
|---|-----------------------|-------------------------|------------------------|-------------|---------------|----------------------------------|---------------|
|   | Financing services    | Loan guarantee services | Finance lease services | Unallocated |               | Property leasing and development |               |
|   |                       | HK\$'000                | HK\$'000               |             |               | HK\$'000                         |               |
| Expenditure for reportable segment non-current assets | 724                   | 2,155                   | 258                    | 1,296       | 4,433         | -                                | 4,433         |
| Amortisation of intangible assets                     | 424                   | -                       | -                      | -           | 424           | -                                | 424           |
| Depreciation of plant and equipment                   | 203                   | 3,133                   | 48                     | 735         | 4,119         | 2                                | 4,121         |
| Allowance for bad and doubtful debts, net             | <u>30,366</u>         | <u>4,654</u>            | <u>-</u>               | <u>-</u>    | <u>35,020</u> | <u>-</u>                         | <u>35,020</u> |

**Year ended 31 March 2008 (restated)**

|   | Continuing operations |                         |                        |             | Total         | Discontinued operation           | Consolidated  |
|---|-----------------------|-------------------------|------------------------|-------------|---------------|----------------------------------|---------------|
|   | Financing services    | Loan guarantee services | Finance lease services | Unallocated |               | Property leasing and development |               |
|   |                       | HK\$'000                | HK\$'000               |             |               | HK\$'000                         |               |
| Expenditure for reportable segment non-current assets | 106,615               | 5,318                   | -                      | 2,184       | 114,117       | -                                | 114,117       |
| Amortisation of intangible assets                     | 288                   | -                       | -                      | -           | 288           | -                                | 288           |
| Depreciation of plant and equipment                   | 137                   | 2,271                   | -                      | 449         | 2,857         | 4                                | 2,861         |
| Allowance for bad and doubtful debts                  | <u>12,228</u>         | <u>(100)</u>            | <u>-</u>               | <u>-</u>    | <u>12,128</u> | <u>7</u>                         | <u>12,135</u> |



## 5. FINANCE COSTS

|  | Continuing operations |               | Discontinued operation |            | Consolidated  |               |
|--|-----------------------|---------------|------------------------|------------|---------------|---------------|
|  | 2009                  | 2008          | 2009                   | 2008       | 2009          | 2008          |
|  | HK\$'000              | HK\$'000      | HK\$'000               | HK\$'000   | HK\$'000      | HK\$'000      |
| Interest on borrowings                               |                       |               |                        |            |               |               |
| – wholly repayable within five years                 | 12,637                | 14,583        | –                      | –          | 12,637        | 14,583        |
| – not wholly repayable within five years             | –                     | –             | –                      | 685        | –             | 685           |
| Interest on convertible notes                        | 9,089                 | 7,781         | –                      | –          | 9,089         | 7,781         |
| Interest on redeemable convertible preference shares | 237                   | 205           | –                      | –          | 237           | 205           |
|  | <b>21,963</b>         | <b>22,569</b> | <b>–</b>               | <b>685</b> | <b>21,963</b> | <b>23,254</b> |

## 6. PROFIT (LOSS) BEFORE TAXATION

|   | Continuing operations |               | Discontinued operation |            | Consolidated  |               |
|---|-----------------------|---------------|------------------------|------------|---------------|---------------|
|   | 2009                  | 2008          | 2009                   | 2008       | 2009          | 2008          |
|   | HK\$'000              | HK\$'000      | HK\$'000               | HK\$'000   | HK\$'000      | HK\$'000      |
| Profit (loss) before taxation has been arrived at after charging:                         |                       |               |                        |            |               |               |
| Staff costs   | 45,713                | 36,939        | –                      | 125        | 45,713        | 37,064        |
| Staff's retirement benefits scheme contributions  | 2,177                 | 1,573         | –                      | –          | 2,177         | 1,573         |
| Equity-settled share based payment expenses   | 14,629                | 9,619         | –                      | –          | 14,629        | 9,619         |
| Total staff costs (including directors' remuneration)                                     | <b>62,519</b>         | <b>48,131</b> | <b>–</b>               | <b>125</b> | <b>62,519</b> | <b>48,256</b> |
| Allowance for bad and doubtful debts, net   | 35,020                | 12,128        | –                      | 7          | 35,020        | 12,135        |
| Amortization of intangible assets (included in other operating expenses)                  | 424                   | 288           | –                      | –          | 424           | 288           |
| Auditor's remuneration  | 2,651                 | 2,167         | 20                     | 240        | 2,671         | 2,407         |
| Depreciation of plant and equipment   | 4,119                 | 2,857         | 2                      | 4          | 4,121         | 2,861         |
| Loss on disposal of plant and equipment   | 8                     | 319           | –                      | –          | 8             | 319           |
| Operating lease rentals in respect of properties  | 11,605                | 8,174         | –                      | –          | 11,605        | 8,174         |
| and after crediting:  |                       |               |                        |            |               |               |
| Net exchange gain   | 5,133                 | 2,567         | –                      | –          | 5,133         | 2,567         |
| Gain on disposal of associates  | –                     | 25,364        | –                      | –          | –             | 25,364        |
| Gain on disposal of property leasing and development business                             | –                     | –             | –                      | 25,109     | –             | 25,109        |
| Interest income   | 9,193                 | 24,305        | 1                      | 228        | 9,194         | 24,533        |
| Management fee income received from an associate  | 7,329                 | –             | –                      | –          | 7,329         | –             |
| Reversal of allowance for consideration receivable from disposal of associates            | 7,500                 | –             | –                      | –          | 7,500         | –             |
| Rental income from investment properties less direct outgoings of HK\$487,000 (2009: Nil) | –                     | –             | –                      | 2,305      | –             | 2,305         |

## 7. TAXATION

|                                       | Continuing operations |          | Discontinued operation |          | Consolidated |          |
|---------------------------------------|-----------------------|----------|------------------------|----------|--------------|----------|
|                                       | 2009                  | 2008     | 2009                   | 2008     | 2009         | 2008     |
|                                       | HK\$'000              | HK\$'000 | HK\$'000               | HK\$'000 | HK\$'000     | HK\$'000 |
| The charge (credit) comprises:        |                       |          |                        |          |              |          |
| Current tax                           |                       |          |                        |          |              |          |
| Hong Kong Profits Tax                 |                       |          |                        |          |              |          |
| – Provision for current year          | 172                   | –        | –                      | 4,046    | 172          | 4,046    |
| – (Over)underprovision in prior years | –                     | –        | (1)                    | 61       | (1)          | 61       |
| PRC Enterprise Income Tax             | 29,293                | 12,794   | –                      | –        | 29,293       | 12,794   |
|                                       | 29,465                | 12,794   | (1)                    | 4,107    | 29,464       | 16,901   |
| Deferred taxation                     | 15,677                | –        | –                      | (4,527)  | 15,677       | (4,527)  |
|                                       | 45,142                | 12,794   | (1)                    | (420)    | 45,141       | 12,374   |

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate to 25% for certain subsidiaries from 1 January 2008.

## 8. DISCONTINUED OPERATION

In February 2007, the Group entered into sale and purchase agreements with an independent third party to dispose of the investment properties (the “Transactions”). The Transactions were completed in May 2007. The details of the Transactions are disclosed in the circular dated 28 March 2007 issued by the Company.

According to the sale and purchase agreements of the Transactions, upon the completion of the Transactions, Apex Honour Limited procured that Perfect Manor Limited (as licensee) (the “Licensee”), the Company (as guarantor) and the purchaser (as licensor) (the “Licensor”) to enter into the licence agreement (“Licence Agreement”), as annexed to the sale and purchase agreements, pursuant to which the Licensor will lease to and the Licensee will lease certain areas of the exterior wall (the “Licensed Area”) from the Licensor at a monthly licence fee of HK\$108,333 for the first 12 months, payable in advance in one total sum of HK\$1,300,000 upon signing of this Licence Agreement, commencing from the date of signing of the Licence Agreement (the “First Year Term”) and at a monthly licence fee of HK\$119,166 for the next 12 months, payable in advance on the first day of each calendar month, following the First Year Term (the “Second Year Term”). Apex Honour Limited and Perfect Manor Limited are wholly owned subsidiaries of the Company.

Pursuant to the Licence Agreement, the Licensee will perform its duty under the Licence Agreement to install and maintain new signs and signage on the Licensed Area for advertising purpose in such format and structure to the satisfaction of the Purchaser and obtain all necessary approvals from relevant regulatory authorities (the “Installation”). Upon expiry of the First Year Term and in the event that the Installation has been completed, the Licence Agreement will terminate accordingly. During the Second Year Term, the Licensee will have the right to terminate the Licence Agreement by giving the Licensor a 60 days’ prior written notice at any time after the completion of the Installation.

In addition, (i) upon expiry of the Second Year Term if the Installation has not been completed or (ii) at anytime when the Licensee is in breach of the Licence Agreement and at the time of such breach, the Installation has not been completed, the Licensor shall have the right to require the Licensee to purchase the Licensed Area, the Upper Wall and the Lower Wall, from the Licensor at a total consideration of HK\$15,000,000 (the “Put Option”).

The above condition was fulfilled and the Licence Agreement was terminated in November 2008. The disposal of the exterior walls was completed. The exterior wall of HK\$15,000,000 was derecognised and the consideration received in advance of HK\$15,000,000 was recognised as revenue with no gain or loss on this disposal during the year.

In March 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in a subsidiary, Sino Dynasty Investments Limited (the “Disposal”). Sino Dynasty Investments Limited had a 25% equity interest in both Nanjing City Plaza Construction Co., Ltd. and Ace Intelligent Consultants Limited. The Disposal was completed in June 2007. The details of the Disposal are disclosed in the circular dated 19 April 2007 issued by the Company.

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

The major classes of assets and liabilities comprising the property leasing and development business are as follows:

|  | <u>2009</u>        | <u>2008</u>         |
|--|--------------------|---------------------|
|  | <i>HK\$'000</i>    | <i>HK\$'000</i>     |
| Assets classified as held for sale                             |                    |                     |
| Investment properties  | <u>          -</u> | <u>      15,000</u> |
| Liabilities associated with assets classified as held for sale |                    |                     |
| Other payables and accrued charges                             | <u>          -</u> | <u>      15,000</u> |

*Notes:*

- (a) The fair value of the Group’s investment properties at 31 March 2008 was arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited (“Knight Frank”), independent qualified professional valuers not connected with the Group. Knight Frank were members of the Institute of Valuers, and had appropriate qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation had been performed on an open market value basis by reference to the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction.
- (b) The investment properties were situated in Hong Kong and were held under long leases.

The (loss) profit for the year from the discontinued operation is analysed as follows:

|   | <u>2009</u>        | <u>2008</u>          |
|---|--------------------|----------------------|
|   | <i>HK\$'000</i>    | <i>HK\$'000</i>      |
| Loss of property leasing and development business before taxation | (170)              | (199)                |
| Gain on disposal of property leasing and development business     | <u>          -</u> | <u>      25,109</u>  |
| (Loss) profit before taxation                                     | (170)              | 24,910               |
| Taxation  | <u>          1</u> | <u>          420</u> |
| (Loss) profit for the year  | <u>      (169)</u> | <u>      25,330</u>  |

The results of the property leasing and development business are as follows:

|  | <u>2009</u>         | <u>2008</u>       |
|--|---------------------|-------------------|
|  | <i>HK\$'000</i>     | <i>HK\$'000</i>   |
| Turnover                                       | –                   | 2,792             |
| Direct outgoings                               | (24)                | (487)             |
| Other income                                   | 141                 | 538               |
| Other operating expenses                       | (287)               | (1,585)           |
| Share of losses of jointly controlled entities | –                   | (772)             |
| Finance costs                                  | –                   | (685)             |
|  | <u>          </u>   | <u>          </u> |
| Loss before taxation                           | (170)               | (199)             |
| Taxation                                       | 1                   | 420               |
|  | <u>          </u>   | <u>          </u> |
| (Loss) profit for the year                     | <u><b>(169)</b></u> | <u><b>221</b></u> |

During the year, the property leasing and development business utilised HK\$170,000 (2008: contributed HK\$1,258,000) of the Group's net operating cash flows. The property leasing and development business also utilised HK\$685,000 in respect of financing activities for the year ended 31 March 2008 (2009: Nil).

The net assets at the dates of Transactions and Disposal were as follows:

|  | <i>HK\$'000</i>       |
|--|-----------------------|
| Net assets disposed of                                 |                       |
| Investment properties                                  | 510,000               |
| Interest in jointly controlled entities                | 96,199                |
| Amount due from a jointly controlled entity            | 13,086                |
| Liabilities arising from financial guarantee contracts | (480)                 |
|  | <u>          </u>     |
|  | 618,805               |
| Realisation of translation reserve                     | (3,591)               |
| Expenses incurred                                      | 6                     |
| Gain on disposal                                       | 25,109                |
|  | <u>          </u>     |
| Total consideration satisfied by cash                  | <u><b>640,329</b></u> |

## 9. EARNINGS PER SHARE

### From continuing and discontinued operations

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

|   | <u>2009</u>             | <u>2008</u>             |
|---|-------------------------|-------------------------|
|   | <i>HK\$'000</i>         | <i>HK\$'000</i>         |
| <b>Earnings:</b>  |                         |                         |
| Earnings for the purpose of basic earnings per share<br>(profit for the year attributable to equity holders of the Company) | <b>149,404</b>          | 180,228                 |
| Effect of dilutive potential ordinary shares:   |                         |                         |
| Change in fair value of derivative component of convertible notes   | <b>(15,801)</b>         | (14,463)                |
| Interest on convertible notes   | <b>9,089</b>            | 7,781                   |
| Earnings for the purpose of diluted earnings per share  | <b><u>142,692</u></b>   | <b><u>173,546</u></b>   |
| <b>Number of shares:</b>  | <b>'000</b>             | <b>'000</b>             |
| Weighted average number of ordinary shares for the purpose<br>of basic earnings per share                                   | <b>2,631,025</b>        | 2,303,701               |
| Effect of dilutive potential ordinary shares:   |                         |                         |
| Share options   | <b>14,723</b>           | 62,149                  |
| Convertible notes   | <b>110,479</b>          | 278,299                 |
| Weighted average number of ordinary shares for the purpose<br>of diluted earnings per share                                 | <b><u>2,756,227</u></b> | <b><u>2,644,149</u></b> |

The comparative figure of earnings for the purpose of calculating the diluted earnings per share has been restated by including the change in fair value of derivative component of convertible notes in the calculation.

### From continuing operations

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

|  | <u>2009</u>           | <u>2008</u>           |
|--|-----------------------|-----------------------|
|  | <i>HK\$'000</i>       | <i>HK\$'000</i>       |
| <b>Earnings:</b>   |                       |                       |
| Profit for the year attributable to equity holders of the Company                    | <b>149,404</b>        | 180,228               |
| Add: Loss (profit) for the year from discontinued operation                          | <b>169</b>            | (25,330)              |
| Earnings for the purpose of basic earnings per share from<br>continuing operations   | <b>149,573</b>        | 154,898               |
| Effect of dilutive potential ordinary shares:  |                       |                       |
| Change in fair value of derivative component of convertible notes                    | <b>(15,801)</b>       | (14,463)              |
| Interest on convertible notes  | <b>9,089</b>          | 7,781                 |
| Earnings for the purpose of diluted earnings per share from<br>continuing operations | <b><u>142,861</u></b> | <b><u>148,216</u></b> |

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

The comparative figure of earnings for the purpose of calculating the diluted earnings per share has been restated by including the change in fair value of derivative component of convertible notes in the calculation.

### From discontinued operation

Basic loss per share from discontinued operation is HK0.0064 cents, based on the loss for the year from the discontinued operation of HK\$169,000 and denominator detailed above. The diluted loss per share is HK0.0061 cents, which is anti-dilutive.

Basic earnings per share and diluted earnings per share from discontinued operation in 2008 were HK1.10 cents and HK0.96 cents respectively, based on the profit for the year from the discontinued operation of HK\$25,330,000 and denominators detailed above for both basic and diluted earnings per share.

## 10. LOAN RECEIVABLES

|                                       | <u>2009</u>     | <u>2008</u>     |
|---------------------------------------|-----------------|-----------------|
|                                       | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Principal                             | 129,213         | 126,374         |
| Add: Accrued interest receivable      | 38,776          | –               |
| Less: Unamortised interest receivable | –               | (1,420)         |
|                                       | <u>167,989</u>  | <u>124,954</u>  |

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

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

- (a) a mortgage of 85% equity interest in 珠海市中廣置業有限公司 owned by Poly Sanhao;
- (b) a mortgage of the 51% equity interest in Poly Sanhao owned by Worldpro; and
- (c) a personal guarantee by the beneficial owner (“Mr. Wu”) of the entire equity interest in 珠海市三好房地產開發有限公司, which holds a 40% equity interest in Poly Sanhao, in favour of Famous Apex.

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

- (a) a first fixed and floating charge on all assets including, among others, any land and properties, intellectual property rights, receivables and securities legally and/or beneficially owned by Worldpro;
- (b) a mortgage of the entire issued share capital of Worldpro and assignment and subordination of all loans owing from Worldpro to the beneficial owner of the entire equity interest in Worldpro (“Mr. Chan”);
- (c) Mr. Chan’s personal guarantee in favour of Famous Apex; and
- (d) Mr. Wu’s personal guarantee in favour of Famous Apex.

On 2 January 2009, Worldpro, Mr. Chan and Mr. Wu executed a supplemental deed of undertaking (“Supplemental Deed”) in favour of Famous Apex and Birdsong Management Limited (another wholly owned subsidiary of the Company). Under the Supplemental Deed, Famous Apex granted 珠海市廣置業有限公司, a subsidiary of Poly Sanhao, the consent to charge or mortgage its property for the purpose of obtaining finance. The Group will receive a sum of RMB28,000,000 for this arrangement. During the year, the Group received RMB500,000 relating to the Supplemental Deed. The remaining balance (“remaining balance”) will be received upon the settlement of the loans.

Both loans are repayable in three years commencing from the date on which the loans are advanced. The effective interest rate of the loan receivables was 33.13% per annum, after taking into account of the arrangement and other fees, and was adjusted to 39.43% upon the execution of the Supplemental Deed taking into account of the RMB28,000,000 as an additional interest for the consent to the Supplemental Deed.

Subsequent to the balance sheet date, a revised Supplemental Deed (“Revised Deed”) was signed by Mr. Wu in favour of Famous Apex. Under the Revised Deed, the remaining related balance has been revised to RMB15,000,000 and will be settled by three instalments of RMB5,000,000 each throughout the loan period.

## 11. ACCOUNT RECEIVABLES AND ADVANCES PROVIDED TO CUSTOMERS

|  | <u>2009</u>     | <u>2008</u>     |
|--|-----------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Account receivables                        | <b>106,796</b>  | 85,103          |
| Advances provided to customers             | <b>615,793</b>  | 625,238         |
|  | <b>722,589</b>  | 710,341         |
| Less: Allowance for bad and doubtful debts |                 |                 |
| – account receivables                      | <b>(5,488)</b>  | (768)           |
| – advances provided to customers           | <b>(25,003)</b> | (12,228)        |
|  | <b>692,098</b>  | 697,345         |

The following is an aging analysis of account receivables and advances provided to customers as of the balance sheet date:

|   | <u>2009</u>     | <u>2008</u>     |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Outstanding balances aged:                        |                 |                 |
| – within one month                                | <b>129,323</b>  | 257,516         |
| – more than one month but less than three months  | <b>169,948</b>  | 167,043         |
| – more than three months but less than six months | <b>155,883</b>  | 204,246         |
| – more than six months                            | <b>236,944</b>  | 68,540          |
|   | <b>692,098</b>  | 697,345         |

## 12. LIABILITIES ARISING FROM FINANCIAL GUARANTEE CONTRACTS

As at 31 March 2009, the Group provided financial guarantees of RMB2,510,018,000 equivalent to approximately HK\$2,820,245,000 (2008: RMB1,276,074,000 equivalent to approximately HK\$1,402,279,000) to customers under the financial guarantee service business. Liabilities arising from the financial guarantee business represent the management’s best estimate of the Group’s liability based on prior experience and default history of the business.

## 13. DIVIDEND

A final dividend of HK4 cents (2008: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

2008/09 was a difficult but challenging year. The global financial crisis hardly hit the global economy and thus slowed down the economic growth in the PRC. At this difficult time, the demand for SME loans and bridge financing services in the PRC has not dropped but indeed risen sharply. While achieving profit growth is the goal of the Group's management, managing risk is also a key success factor. In this year, the management of the Group has been very selective in taking new customers and in developing new business lines, such as finance lease service and private equity fund management service. With all these efforts from the management, the results of the Group for the year ended 31 March 2009 had achieved steady growth in each business segment, particularly in bridge financing service. In May 2009, the Group was, for the first time, selected as one of the constituent stocks of Morgan Stanley Capital International (MSCI) Global Small Cap Index. It has further enhanced the Group's position in the global capital markets.

## RESULTS AND DIVIDEND

Turnover of the Group for the year ended 31 March 2009 was approximately HK\$351,128,000 (2008: HK\$229,390,000), an increase of 53% over last year. The increase was mainly contributed by the increase in income from the provision of financial services in the PRC. Profit after tax attributable to the equity holders of the Company was approximately HK\$149,404,000, representing a decrease of 17% as compared to approximately HK\$180,228,000 in 2008. The decrease was mainly due to several non-recurring exceptional events in 2008, which were the gain on disposal of associates of HK\$25,364,000, the gain on disposal of property leasing and development business of HK\$25,109,000 and the reallocation of accumulated losses of HK\$34,093,000 to minority interests resulting from the subscription of additional shares of Rongzhong Group Limited ("Rongzhong") by minority shareholders in April 2007. Net of the effect of these exceptional events, the profit after tax attributable to equity holders of the Company had gone up by 56%.

Included in the profit after tax attributable to the equity holders of the Company for the year ended 31 March 2009, there were some non-cash items which included, but not limited to, equity-settled share based payment expenses of HK\$14,629,000 (2008: HK\$9,619,000), notional interest on zero coupon convertible note of HK\$9,089,000 (2008: HK\$7,781,000) and notional interest on redeemable convertible preference shares of HK\$237,000 (2008: HK\$205,000).

The Board has proposed a final dividend of HK4 cents per share in respect of the year ended 31 March 2009 (2008: Nil). Subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 26 August 2009 (the "AGM"), the proposed final dividend will be paid on or about 4 September 2009 to shareholders as registered at the close of business on 26 August 2009.



## **BUSINESS REVIEW**

### **Rongzhong**

The Group owns 71% equity interest in Rongzhong as at 31 March 2009. Rongzhong and its subsidiaries (collectively “Rongzhong Group”) mainly engage in the provision of loan guarantee, bridge financing, finance lease and investment management services. For the year ended 31 March 2009, Rongzhong Group had contributed a turnover of approximately HK\$297,025,000 (2008: HK\$216,318,000), representing an increase of 37%, which was mainly contributed by the growth in bridge financing service.

In May and August 2007, the Group entered into two loan agreements with Rongzhong, pursuant to which the Group conditionally agreed to advance a HK\$60 million and a HK\$500 million revolving loan facilities respectively to Rongzhong as general working capital at an interest rate of 16% per annum. As at 31 March 2009, the total outstanding loan amounted to HK\$524,161,000 (2008: HK\$369,361,000).

#### **1. *Loan Guarantee***

Rongzhong Group carries on loan guarantee business in seven cities in the PRC, namely Changsha, Chengdu, Chongqing, Wuhan, Guangzhou, Nanjing and Hangzhou, principally engaging in the provision of guarantee and related services for individuals in relation to the following major types of loans: (1) consumable purchase; (2) educational fund; (3) residential renovation; (4) mobile phones; (5) motor vehicle, (6) real estate property and (7) SME working capital. The total guarantee amount of Rongzhong Group issued during the year amounted to approximately RMB3.4 billion (2008: RMB3.6 billion). For the year ended 31 March 2009, the segment turnover of loan guarantee service contributed to Rongzhong Group approximately HK\$104,561,000 (2008: HK\$112,756,000), representing a decline of 7%. However, given the tight operating cost control measure, the segment profit for the current year had gone up by about 11% from HK\$64,739,000 to HK\$72,041,000. Guarantee income is recognized over the life of the guarantee contracts and, as at 31 March 2009, the deferred income amounted to approximately HK\$36,847,000 (2008: HK\$24,126,000) which would be recognized in the forthcoming three financial years. Currently, Rongzhong Group has established working relationship with the following banks:

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

## **2. *Bridge Financing***

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

Rongzhong Group provides different types of bridge financing service including but not limited to the provision of bridging loans for management buyout, and short term working capital financing for SME and property developers. As at 31 March 2009, Rongzhong Group had a gross loan portfolio of approximately HK\$615,793,000 (2008: HK\$625,238,000). This loan portfolio continues to achieve an attractive yield and contributing a turnover of approximately HK\$191,317,000 (2008: HK\$103,562,000) to Rongzhong Group during the year, representing an increase of 85%.

Rongzhong Group will continue expanding the bridge financing business to other mainland cities when opportunities arise. To fully utilize our extensive network throughout the many platforms we had built over the years, Rongzhong Group intends to further expand into locations where we have been providing guarantee services, namely Hangzhou and Changsha.

## **3. *Finance Lease***

In April 2008, Rongzhong Group was granted a wholly-foreign owned leasing licence by the Ministry of Commerce in the PRC. In August 2008, Rongzhong International Financial Leasing Co., Ltd. (融眾國際融資租賃有限公司) first launched its finance lease service in Wuhan, the PRC, and then extended its service to customers located at Hebei, Tianjin and Guangdong. For the year ended 31 March 2009, the contributed turnover was approximately HK\$1,147,000. The Board believes that the leasing licence can further complement our existing service portfolio and will provide stable income stream in the foreseeable future by capitalizing on Rongzhong Group's business network, financing backing and industry relationships.

## **4. *Private Equity Fund Management***

Launched in May 2008, Wuhan Rongzhong Growth Fund<sup>#</sup> (武漢融眾高成長投資中心) (“Fund”) is a private equity fund seeking opportunities for investment primarily in the PRC where Rongzhong's operating expertise and sector knowledge can guide the strategic direction of its portfolio and create sustainable value. As at 31 March 2009, the fully paid-up capital was approximately RMB183 million in which 27.34% was owned by Rongzhong Group, the manager of the Fund. For the first year ended 31 December 2008, the Fund achieved an annualized return of 20.7% and, pursuant to the Fund Partnership Agreement, Rongzhong Group was awarded a performance bonus of approximately RMB3.8 million, equivalent to 20% of the Fund's net profit for the year before sharing among the partners. For the Group's financial year ended 31 March 2009, the total recognized share of profit from the Fund was approximately HK\$7,910,000 and the management fee income earned by Rongzhong Group was approximately HK\$3,059,000, calculated at 2% per annum of the fully paid-up capital amount of the Fund.

In December 2008, Taizhou Rongzhong Venture Investment Company Limited<sup>#</sup> (泰州融眾創業投資有限公司), a 76.67% owned subsidiary of Rongzhong Group engaged in the provision of investment management service, was formed with an aim to capture the potential business and investment opportunities in the region of Yangtze River Delta.

## **Famous Apex**

In September 2007, Famous Apex Limited (“Famous Apex”) entered into two loan agreements with Zhuhai Poly Sanhao Company Limited# (珠海市保利三好有限公司) (“Poly Sanhao”) and Worldpro International Investment Limited (“Worldpro”), pursuant to which Famous Apex conditionally agreed to make available term loans of RMB100 million and RMB15 million to Poly Sanhao and Worldpro respectively. The loan of RMB100 million was secured by mortgages of the 85% equity interest in Zhuhai City China-King Real Estate Co., Ltd.# (珠海市中廣置業有限公司) and 51% equity interest in Poly Sanhao. The loan of RMB15 million was secured by the first fixed and floating charge on all assets owned by Worldpro and mortgage of the entire issued share capital of Worldpro. These loans were fully drawn in January 2008 and collectively provided to the Group with a potential investment return of over 33% per annum for a term of three years. In January 2009, Famous Apex received the first instalment of RMB12 million as scheduled. For the year ended 31 March 2009, these loans contributed a turnover of approximately HK\$54,103,000 (2008: HK\$10,280,000) to the Group.

## **Future plans**

Although the income and profitability level of the Group remained satisfactory during the year, the market condition in the foreseeable future will continue to be challenging as a result of the unstable financial markets and the economic downturn. Given that the demand for SME loans and bridge financing in future years is expected to remain high, the Group will definitely put more effort in financing services segment to capture such growth opportunity. However, the Group will continue being conservative in developing new business in order to maintain the quality of the loan portfolio. In term of business expansion, the Group will seek to explore new investment opportunities with an aim to provide full spectrum of financial services to customers. Together with the steady economic growth in the PRC, strong business network and effective risk management strategy of the Group, the Board believes all of these moves will make a positive contribution to the Group in the future.

## **FINANCIAL REVIEW**

### **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 March 2009, the Group had outstanding bank borrowings of RMB109,000,000 (2008: RMB100,000,000) granted by two banks in the PRC and secured by the properties held for sale and the charges over the Group’s and the minority shareholders’ indirect interests in Rongzhong Investment Group Limited# (融眾投資集團有限公司) (“Rongzhong Investment”), a 71% owned subsidiary of the Company. The Company, Rongzhong Investment and a director of the Company had given guarantees to a bank in securing the bank borrowing of not more than RMB100,000,000 (equivalent to approximately HK\$112,360,000) in aggregate. The guarantee provided by the Company was in proportion to its 71% equity interest in the borrower. All these banking facilities bore interest with reference to the rate offered by the People’s Bank of China. At present, the Group has not used any derivative to hedge against the interest rate risk exposure.

On 2 October 2007, the Company issued a convertible note with principal amount of HK\$135,000,000 maturing on 2 October 2010 to a related company for acquisition of 20% issued share capital of Rongzhong. This note is interest free and convertible into ordinary shares at a conversion price of HK\$1.08 per ordinary share, subject to adjustment upon occurrence of certain events. The value of this note was split into liability and derivative components and goodwill of HK\$103,686,000 was recognized on the date of issuance. During the year, part of this note with a nominal value of HK\$54,000,000 was converted into 50,000,000 ordinary shares at HK\$1.08 each. As at 31 March 2009, the fair values of the liability and the derivative components were at HK\$70,568,000 and HK\$1,964,000 (2008: HK\$107,286,000 and HK\$18,070,000), respectively. A gain on change in fair value of derivative component of HK\$15,801,000 (2008: HK\$14,463,000) was recorded during the year.

The Group has always maintained strong liquidity position. As at 31 March 2009, the aggregate amount of cash, bank balances and short term bank deposits was approximately HK\$579,852,000 (2008: HK\$429,592,000) and the net debt to equity ratio was analyzed as follows:

|  | <u>2009</u>      | <u>2008</u>      |
|--|------------------|------------------|
|  | <i>HK\$'000</i>  | <i>HK\$'000</i>  |
| Debt ( <i>Note a</i> )                     | 122,472          | 109,890          |
| Cash and cash equivalents                  | <u>(495,083)</u> | <u>(429,592)</u> |
| Net debt                                   | (372,611)        | (319,702)        |
| Equity ( <i>Note b</i> )                   | 1,367,502        | 1,113,943        |
| Net debt to equity ratio ( <i>Note c</i> ) | N/A              | N/A              |

*Notes:*

- (a) Debt comprises bank borrowings.
- (b) Equity includes all capital, reserves and minority interests of the Group.
- (c) Not applicable as no net debt as at 31 March 2009 and 31 March 2008.

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

## **EFFECT ON EXCHANGE RATE FLUCTUATION**

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

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 March 2009, the Group's banking facilities were granted by several banks in the PRC and in Hong Kong, which are secured by the following:

- (a) the properties held for sale of the Group with an aggregate carrying value of RMB8,010,000 (2008: RMB8,010,000) equivalent to approximately HK\$9,000,000 (2008: HK\$8,802,000);
- (b) a charge over the Group's and the minority shareholders' indirect interests in Rongzhong Investment; and
- (c) a floating charge over the interest in subsidiaries and certain assets of Rongzhong with an aggregate carrying value of HK\$527,050,000 (2008: HK\$515,466,000) and HK\$176,574,000 (2008: HK\$70,476,000) respectively. As at 31 March 2009, the facilities have not been utilized. The floating charge was subsequently discharged in May 2009.

As at 31 March 2009, the guarantee facilities granted to the Group were secured by the security deposits in an aggregate of approximately HK\$105,302,000 (2008: HK\$67,097,000).

## **CONTINGENT LIABILITIES**

As at 31 March 2009, the Group had contingent liabilities of RMB2,510,018,000, equivalent to approximately HK\$2,820,245,000 (2008: RMB1,276,074,000, equivalent to approximately HK\$1,402,279,000) in relation to the provision of the financial guarantee services in the PRC. At the balance sheet date, an amount of RMB6,150,000, equivalent to approximately HK\$6,910,000 (2008: RMB3,679,000, equivalent to approximately HK\$4,043,000) was recognized in the consolidated balance sheet as liabilities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2009, the Group's total number of staff was approximately 590 in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. Other benefits offered to the employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

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

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

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

Throughout the year ended 31 March 2009 under review (the "Year"), the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

## **AUDIT COMMITTEE**

The audit committee of the Company comprises three members namely Mr. Cheng Yuk Wo, Mr. Ma Ho Fai SBS JP and Mr. Melvin Jitsumi Shiraki, the independent non-executive directors of the Company.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed with management in respect to the financial reporting matters, including a review of the audited consolidated financial statements of the Group for the Year, who are of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosure have been made.

## **REMUNERATION COMMITTEE**

The remuneration committee comprises three members namely Mr. Cheng Yuk Wo, Mr. Ma Ho Fai SBS JP and Mr. Kee Wah Sze.

The principal responsibilities of remuneration committee include, among others, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.



## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the Year.

## **ANNUAL GENERAL MEETING**

It is proposed that the AGM will be held on 26 August 2009. For details of the AGM, please refer to the Notice of the AGM which is expected to be published on or about 22 July 2009.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 20 August 2009 to 26 August 2009, both days inclusive. For the purpose of ascertaining the members' entitlement to the attendance of the AGM and to the final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 19 August 2009.

By order of the Board  
**Goldbond Group Holdings Limited**  
**Wong Yu Lung, Charles**  
*Chief Executive Officer*

Hong Kong, 6 July 2009

*As at the date of this announcement, (a) the executive directors of the Company are Mr. Wang Jun, Mr. Wong Yu Lung, Charles, Mr. Ding Chung Keung, Vincent, Mr. Kee Wah Sze, Mr. Lan Ning, Mr. Xie Xiao Qing and Miss Wong, Michelle Yatyee; (b) the independent non-executive directors of the Company are Mr. Ma Ho Fai SBS JP, Mr. Melvin Jitsumi Shiraki and Mr. Cheng Yuk Wo.*

# *For identification purpose only*