集團有限公司
China Fortune Group Limited

(formerly known as "China Conservational Power Holdings Limited 中國環保電力控股有限公司")
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0290)
Website: http://www.290.com.hk

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board (the "Board") of directors (the "Directors") of China Fortune Group Limited (formerly known as China Conservational Power Holdings Limited) (the "Company") announced the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008 together with the comparative figures for the corresponding period in 2007 as follows:

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

	Notes	**Six months ended 30 September 2008 HK$'000 (unaudited)**	2007 HK$'000 (unaudited)
Turnover	3	**4,192**	5,207
Cost of sales		**(2,002)**	(2,662)
Gross profit		**2,190**	2,545
Other revenue		**269**	403
Administrative expenses		**(6,648)**	(7,843)
Reversal of impairment losses on investment deposits	4	**8,000**	2,500
Reversal of (charge for) impairment losses on investments held for trading	5	**22,413**	(12)
Profit (loss) from operations	6	**26,224**	(2,407)
Finance costs	7	**(1,793)**	(1,921)
Profit (loss) before taxation		**24,431**	(4,328)
Taxation	8	**–**	–
Net profit (loss) for the period		**24,431**	(4,328)
Dividend	9	**–**	–
Profit (loss) per share			
– basic	10	**5.2 cents**	(0.9) cents
– diluted	10	**N/A**	N/A

Condensed Consolidated Balance Sheet

As at 30 September 2008

	Notes	30 September 2008 HK$'000 (unaudited)	31 March 2008 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**245**	425
Intangible asset		**–**	–
Other assets		**230**	240
Associates		**–**	–
Jointly-controlled entity		**–**	–
		475	665
Current assets			
Investments held for trading	12	**61,167**	38,784
Accounts receivable	13	**12,445**	10,303
Other receivables, deposits and prepayments		**1,499**	516
Retention money receivables		**–**	375
Loan receivable		**–**	–
Investment deposits		**–**	–
Amounts due from related companies		**25**	25
Amount due from a director		**524**	426
Pledged bank deposits		**2,206**	2,196
Bank balances – client accounts		**15,724**	11,140
Bank balances – general accounts and cash		**7,946**	15,390
		101,536	79,155
Current liabilities			
Bank overdraft (secured)		**1,967**	1,963
Other borrowings (unsecured)		**22,045**	29,735
Accounts payable, other payables and accrued charges	14	**31,331**	24,511
Retention money payables		**–**	958
Amount due to a related company		**890**	890
Obligations under finance leases		**20**	290
Taxation payable		**258**	258
		56,511	58,605
Net current assets		**45,025**	20,550
Total assets less current liabilities		**45,500**	21,215
Non-current liabilities			
Obligations under finance leases		**33**	179
Net assets		**45,467**	21,036
Equity			
Share capital		**46,407**	46,407
Reserves		**(940)**	(25,371)
Total equity		**45,467**	21,036

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of these new HKFRSs had no material effect on the results of financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recongised.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKAS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Assoicate[2]
HKAS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKAS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5. Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The Directors are currently assessing the impact of the above new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the unaudited condensed consolidated financial statements.

3. TURNOVER AND SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into three operating divisions – electrical engineering contracting, sale of electrical goods and securities brokerage and financing. These divisions form the basis on which the Group reports its primary segment information.

Business segments

	Unaudited For the six months ended 30 September 2008			
	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Consolidated HK$'000
Turnover	**403**	**671**	**3,118**	**4,192**
Results				
Segment results	**(872)**	**(15)**	**107**	**(780)**
Reversal of impairment loss on investment deposit				**8,000**
Reversal of (charge for) impairment loss on investment held for trading				**22,413**
Unallocated corporate income				**174**
Unallocated corporate expense				**(3,583)**
Finance costs				**(1,793)**
Profit before taxation				**24,431**
Taxation				**–**
Net profit for the period				**24,431**

3. TURNOVER AND SEGMENTAL INFORMATION (cont'd)

	Unaudited For the six months ended 30 September 2007			
	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Securities brokerage and financing HK$'000	Consolidated HK$'000
Turnover	313	751	4,143	5,207
Results				
Segment results	(1,765)	(40)	502	(1,303)
Reversal of impairment loss on investment deposit				2,500
Charge for impairment loss on investment held for trading				(12)
Unallocated income				234
Unallocated expense				(3,826)
Finance costs				(1,921)
Loss before taxation				(4,328)
Taxation				–
Net loss for the period				(4,328)

4. REVERSAL OF IMPAIRMENT LOSSES ON INVESTMENT DEPOSITS

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Partial refund on earnest money for proposed acquisition of interest in a PRC company engaged in software development *(note)*	**8,000**	2,000
Others	**–**	500
	8,000	2,500

Note: On 28 September 2007, the company's wholly owned subsidiary, Excellent Legend Limited entered into a settlement agreement with the third party and the guarantor. Pursuant to the settlement agreement, the third party shall refund the earnest money in full (HK$20,000,000) without interest to Excellent Legend Limited by 10 instalments of HK$2,000,000 each. Up to date of this report, HK$16,000,000 had been refunded.

5. REVERSAL OF (CHARGE FOR) IMPAIRMENT LOSSES ON INVESTMENT HELD FOR TRADING

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Non-voting cumulative redeemable convertible preference shares of China Sciences Conservational Power Limited	**24,800**	–
Ordinary shares of China Sciences Conservational Power Limited	**(2,387)**	–
Other listed investment at fair value	**–**	(12)
	22,413	(12)

6. PROFIT (LOSS) FROM OPERATIONS

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (Loss) from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**162**	312
Cost of inventories recognised as expenses	**640**	640
Staff costs including directors' fee and emoluments	**2,863**	4,136
Lease expense	**316**	409

7. FINANCE COSTS

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on bank borrowings and overdrafts wholly repayable within five years	**40**	68
Interest on obligations under finance leases	**14**	17
Interest on other borrowing	**1,739**	1,836
	1,793	1,921

8. TAXATION

No provision for Hong Kong profits tax for the current period has been made as the Group did not have any assessable profit during the period. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. DIVIDENDS

No dividends were paid or declared during the period. The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2008 (For the six months ended 30 September 2007: Nil).

10. PROFIT PER SHARE

The profit per share is calculated based on the profit for the period amounting to approximately HK$24,431,000 (For the six months ended 30 September 2007: loss of approximately HK$4,328,000) and on 464,070,000 ordinary shares in issue throughout the two six-month periods ended 30 September 2008 and 2007.

No diluted profit per share has been presented. The exercise of the Company's outstanding share options would result in a decrease in the profit per share.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$28,000 on property, plant and equipment (approximately HK$897,000 for the six months ended 30 September 2007).

12. INVESTMENTS HELD FOR TRADING

	30 September 2008 HK$'000	31 March 2008 HK$'000
Investments in CSCPL *(Notes)*		
Non-voting cumulative redeemable convertible preference shares ("Preference Shares") – unlisted, at cost	**60,800**	60,800
Ordinary Shares – listed, at cost	**5,700**	5,700
	66,500	66,500
Less: Impairment losses	**(5,333)**	(27,744)
	61,167	38,756
Other listed investment at fair value	**–**	28
	61,167	38,784

Notes:

(a) The Preference Shares issued by China Sciences Conservational Power Limited ("CSCPL") were fully redeemed by CSCPL at its principal value of HK$60,800,000 in October 2008.

(b) The carrying value of 7,500,000 CSCPL Ordinary Shares is estimated by the Directors at cost of HK$5,700,000 less impairment loss HK$5,332,500 as at 30 September 2008.

13. ACCOUNTS RECEIVABLE

	30 September 2008 HK$'000 (unaudited)	31 March 2008 HK$'000 (audited)
Accounts receivable	**1,025**	850
Less: Provision for doubtful debts	**(551)**	(551)
	474	299
Accounts receivable from the business of dealing in securities:		
– Clearing houses and cash clients	**1,202**	2,635
– Secured margin loans	**10,820**	7,420
Less: Impairment allowance on accounts receivable from the business of dealing in securities – Secured margin loans	**(51)**	(51)
	11,971	10,004
	12,445	10,303

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date.

The ageing analysis of the accounts receivable at the balance sheet date is as follows:

	30 September 2008 HK$'000 (unaudited)	31 March 2008 HK$'000 (audited)
Current and up to 30 days	**905**	1,730
31 to 60 days	**6**	38
61 to 90 days	**250**	123
Over 90 days	**515**	1,043
	1,676	2,934

Loans to margin clients are secured by clients' pledged securities, bear variable interest at commercial rates and repayable on demand. No ageing analysis is disclosed as in the opinion of the Directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

14. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2008 HK$'000 (unaudited)	31 March 2008 HK$'000 (audited)
Accounts payable	**17,174**	3,665
Accounts payable from the business of dealing in securities:		
– Margin and cash clients	**4,085**	12,051
Other payables and accrued charges	**10,072**	8,795
	31,331	24,511

The ageing analysis of accounts payable as at the balance sheet date is as follows:

	30 September 2008 HK$'000 (unaudited)	31 March 2008 HK$'000 (audited)
Current and up to 30 days	**13,228**	56
31 to 60 days	**57**	71
61 to 90 days	**117**	53
Over 90 days	**3,772**	3,485
	17,174	3,665

Accounts payable to margin and cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and repayable on demand subsequent to settlement date. No ageing analysis is presented as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of this business.

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date.

Interim Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2008 (2007: Nil).

Management Discussion and Analysis

REVIEW OF OPERATIONS

During the period, the Group recorded an unaudited profit attributable to shareholders of approximately HK$24,431,000 (2007: loss of approximately HK$4,328,000). The decrease in loss as compared to the same period in 2007 was mainly attributable to the written back of impairment loss on an investment in preference shares with principal value of HK$60,800,000 issued by China Sciences Conservational Power Limited in the amount of HK$24,800,000.

SECURITIES BROKERAGE AND FINANCING BUSINESS

The income from these operations decreased to approximately HK$3,118,000 from approximately HK$4,143,000 in the corresponding period of last year, representing a decrease of 24.7%. Due to the overall shrinking in turnover of stock market in Hong Kong, the securities brokerage business was being affected as well. Turnover from securities brokerage and margin financing business accounted for 74.4% (2007: 79.6%) of the total turnover of the Group.

ELECTRICAL ENGINEERING CONTRACTING BUSINESS

During the period, the electrical engineering contracting business had completed all the contracts on hand. The electrical engineering contracting business generated a turnover of approximately HK$403,000, representing an increase of 28.7% from HK$313,000 in the corresponding period in 2007. Turnover from electrical engineering contracting business accounted for 9.6% (2007: 6.0%) of the total turnover of the Group.

ELECTRICAL MATERIALS & COMPONENT TRADING BUSINESS

The sales from electrical materials and components business decreased by 10.6% to approximately HK$671,000 as compared to HK$751,000 in the corresponding period of last year. Turnover from electrical materials and components business accounted for 16.0% (2007: 14.4%) of the total turnover of the Group.

FINANCIAL REVIEW AND ANALYSIS

Financing

Liquidity, Financial Resources and Gearing

The Group's total current assets and current liabilities were approximately HK$101,536,000 (as at 31 March 2008: HK$79,155,000) and approximately HK$56,511,000 (as at 31 March 2008: HK$58,605,000) respectively, while the current ratio was about 1.80 times (as at 31 March 2008: 1.35 times).

As at 30 September 2008, the Group's aggregate cash balance amounted to approximately HK$7,946,000 (as at 31 March 2008: HK$15,390,000), representing 7.8% (as at 31 March 2008: 19.4%) of total current assets.

As shown in the Group's consolidated balance sheet as at 30 September 2008, total equity amounted to approximately HK$45,467,000 (as at 31 March 2008: HK$21,036,000); whereas the Group's total borrowing was approximately HK$24,065,000 (as at 31 March 2008: HK$32,167,000) only, which mainly comprised of HK dollar overdrafts, borrowings and finance lease obligations. Bank overdrafts carry interest on the prime lending rate, other borrowings carry interest at fixed rate and finance charges are fixed on the date the finance leases are entered into.

As at 30 September 2008, the gearing ratio, defined as total debts over total assets, was approximately 23.6% (as at 31 March 2008: 40.3%). The decrease in the gearing ratio was mainly due to the increase in total assets as a result of a written back of impairment loss of an investment in preference shares during the period.

Foreign Exchange Management

The Group's purchases from overseas suppliers are always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. Since the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange within this period were reduced because of the reduction on trade activities leading to decrease in purchases from overseas. As at 30 September 2008, the Group had no outstanding forward foreign exchange contracts on hand.

Contingent Liabilities

At 30 September 2008, the Group had no material contingent liabilities.

Capital Commitments

On 16 September 2008, Expo Resources Inc. ("Expo"), a wholly owned subsidiary of the Company has entered into a joint venture agreement with an independent third party. Pursuant to which the joint venture parties ("Parties") agreed to procure the joint venture company ("JV Company") to carry on the following business activities upon incorporation of the JV Company:

(a) Type 1 regulated activities (dealing in securities) as defined in the Securities and Futures Ordinance ("SFO");

(b) Type 4 regulated activities (advising on securities) as defined in SFO;

(c) Type 9 regulated activities (asset management) as defined in the SFO; and

(d) insurance broker as defined in the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong).

At 30 September 2008, Expo shall subscribe for 75,000 shares in the JV Company for an aggregate price of HK$75,000 representing 75% interest in the JV Company.

Pledge of Assets

At 30 September 2008, the Group had pledged bank deposits of approximate HK$2,000,000 (At 31 March 2008: approximately HK$2,000,000) to secure certain bank facilities available to the Group.

Staff

As at 30 September 2008, the Group had a total of 20 employees. The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowances and other fringe benefits.

Prospect

The Group is envisioned to become a renowned full range financial services provider in the financial industry in long term. The corporate strategy of the Company is to strengthen its existing securities brokerage and margin financing business while in a ready position to broaden its business scope either by self-development or through vertical and/or horizontal acquisition.

In line with such corporate strategy, during the period under review, the Company underwent a series of proposed acquisitions and fund raising exercises, i.e. to acquire the majority stake of Excalibur Securities Limited and Excalibur Futures Limited, placing of convertible bonds and placing of new shares. All these proposed acquisitions and fund raising exercises have yet to be completed and are subject to resumption of trading of Shares of the Company on the Stock Exchange. Also, the Company has entered into a joint venture agreement for the formation of a company to provide financial related services such as dealing in securities, advising on securities, asset management and insurance brokerage.

Seeing that there are tremendous opportunities and the robust economy in the PRC, the Directors are also considering to step into the futures brokerage services in the PRC. A non-binding Memorandum of Understanding was entered into on 9 December 2008 with the intent to acquire at least 20% interest in a PRC company engaged in futures brokerage business.

As mentioned in the announcement issued by the Company on 10 December 2008, it is with pleasure to announce that the Company is allowed to proceed with the Resumption Proposal subject to fulfillment of certain conditions set out therein to the satisfaction of the Stock Exchange prior to the resumption of trading of Shares on the Stock Exchange. The management is prudently optimistic that the Company can fulfill such conditions and the Company can resume trading in near future.

The financial tsunami gives a great blow to the whole society especially the financial industry, not only in Hong Kong, but all around the world. Viewing that both the PRC government and the Hong Kong government have shown strong confidence and active support to strengthen Hong Kong's economy, the Directors are prudently optimistic about the future of the Hong Kong stock market and the PRC economy and therefor, the development of the Group in long term gradually.

Corporate Governance

The Group is committed to ensuring high standard of corporate governance as the Directors believe it would improve effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in markets and enhancing shareholders' value in consequence.

During the period, the Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2008.

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises Messrs. Ng Kay Kwok, Lam Ka Wai, Graham as well as Tam B Ray, Billy, all of whom are Independent Non-Executive Directors. Mr. Ng Kay Kwok is the Chairman of the Audit Committee.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2008.

Internal Controls

In response to the comments from the Stock Exchange regarding the Company's application for resumption of trading in the Shares of the Company, the Company has engaged an independent professional adviser to conduct a special review of the financial reporting system and internal control procedures of the Group. Such review, along with a follow-up review, is in progress. The Board is currently reviewing the special review report, findings of which will be disclosed by way of announcement when appropriate.

Model Code for Securities Transactions

The Company has adopted the Model Code under Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All Directors of the Company confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2008.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period.

Publication of Results Announcement and Interim Report

The interim results announcement is published on the websites of the Company (www.290.com.hk) and the Stock Exchange (www.hkex.com.hk) respectively. The 2008 Interim Report will be dispatched to the Shareholders of the Company and available on the same websites in due course.

Appreciation

On behalf of the Board, I would like to thank the management and all staff for their concerted effort, commitment and professionalism under such challenging situation.

By order of the Board
China Fortune Group Limited
Ng Cheuk Fan, Keith
Managing Director

Hong Kong, 19 December 2008

As at the date hereof, the Board consists of three Executive Directors, namely, Mr. Sun Tak Yan, Desmond (Chairman), Mr. Ng Cheuk Fan, Keith (Managing Director) and Mr. Yeung Kwok Leung; and three Independent Non-executive Directors, namely Mr. Tam B Ray Billy, Mr. Ng Kay Kwok and Mr. Lam Ka Wai, Graham.