中國富強集團有限公司
China Fortune Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 290)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

The Board of Directors (the "Board") of China Fortune Group Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009 together with the comparative figures for the previous year are as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Turnover	2	**15,562**	12,355
Cost of sales on securities and futures brokerage and financing		**(3,590)**	(3,144)
Cost of sales on engineering contracting work		**(1,081)**	(354)
Cost of sales on trading of electrical materials		**(691)**	(1,446)
Other revenue	4	**2,386**	1,755
Depreciation on property, plant and equipment		**(800)**	(608)
Salaries and allowances		**(8,514)**	(8,595)
Reversal of impairment losses on investment deposits		**8,500**	8,000
Change in fair value of financial assets designated as fair value through profit or loss		**24,800**	–
Decrease in fair value of investments held for trading		**(2,313)**	(32)
Discount on acquisitions of subsidiaries		**863**	–
Gain (loss) on disposal of subsidiaries		**61**	(262)
Gain on deemed disposal of partial interests in a subsidiary		**17**	–
Other operating and administrative expenses		**(15,210)**	(9,403)
Finance costs	5	**(4,162)**	(4,093)
Profit (loss) before taxation		**15,828**	(5,827)
Taxation	6	**(115)**	–
Profit (loss) for the year	7	**15,713**	(5,827)

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		**16,224**	(5,827)
Minority interests		**(511)**	–
		15,713	(5,827)
Dividend	*8*	**–**	–
Earnings (loss) per share			
Basic	*9*	**3.23 cents**	(1.26 cents)
Diluted	*9*	**3.19 cents**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**4,792**	425
Intangible assets		**980**	–
Other non-current assets		**2,262**	240
Interests in associates		**–**	12
Investment in jointly controlled entity		**–**	–
Deferred tax assets		**61**	–
Goodwill		**2,554**	–
		10,649	677
Current assets			
Investments held for trading		**442**	2,784
Financial assets designated at fair value through profit or loss		**–**	36,000
Trade receivables	*10*	**90,320**	10,679
Other receivables, deposits and prepayments		**15,638**	515
Loan receivables		**–**	–
Investment deposits	*11*	**42,407**	–
Amount due from a minority shareholder of a subsidiary		**125**	–
Amount due from a related company		**–**	13
Amount due from a director		**776**	426
Pledged bank deposits		**–**	2,196
Bank balances and cash – trust		**60,211**	11,140
Bank balances and cash – general		**22,138**	15,390
		232,057	79,143
Current liabilities			
Bank overdrafts – secured		**–**	1,963
Other borrowings – unsecured		**–**	29,735
Trade payables, other payables and accruals	*12*	**83,139**	25,469
Amount due to a related company		**–**	890
Amount due to a director		**10**	–
Obligations under finance leases		**–**	290
Tax payables		**850**	258
Provisions		**940**	–
		84,939	58,605
Net current assets		**147,118**	20,538
		157,767	21,215

	2009	2008
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**75,607**	46,407
Reserves	**29,313**	(25,371)
Equity attributable to equity holders of the Company	**104,920**	21,036
Minority interests	**29,781**	–
Total equity	**134,701**	21,036
Non-current liabilities		
Obligations under finance leases	**–**	179
Convertible loan notes	**23,066**	–
	23,066	179
	157,767	21,215

NOTES TO THE FINANCIAL STATEMENTS

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)– Interpretation ("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 the new HKFRSs had 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.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instrument Disclosures – Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)– INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)– INT 13	Customer Loyalty Programmes[6]
HK(IFRIC)– INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)– INT 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC)– INT 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)– INT 18	Transfers of Assets from Customers[8]

[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, 1 July 2009 and 1 January 2010, as appropriate.*
[3] *Effective for annual periods beginning on or after 1 January 2009.*
[4] *Effective for annual periods beginning on or after 1 July 2009.*
[5] *Effective for annual periods ending on or after 30 June 2009.*
[6] *Effective for annual periods beginning on or after 1 July 2008.*
[7] *Effective for annual periods beginning on or after 1 October 2008.*
[8] *Effective for transfers of assets from customers received on or after 1 July 2009.*

The application of HKFRS 3 (Revised) may affect the 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 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent'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.

2. TURNOVER

Turnover represents the net amounts received and receivable for services provided and goods sold in the normal course of business. An analysis of the Group's turnover for the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Income from securities, futures and insurance brokerage business	**8,731**	6,636
Margin interest income from securities and futures brokerage business	**1,829**	1,289
Electrical engineering-contracting income	**4,280**	2,809
Sale of electrical goods	**722**	1,621
	15,562	12,355

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions. These divisions are the basis on which the Group reports its primary segment information. The principal activities are as follows:

(i) Securities, futures and insurance brokerage and financing

(ii) Electrical engineering contracting

(iii) Sale of electrical goods

(a) Business segments

The following tables' present turnover, results and certain asset, liability and expenditure information for the Group's business segments.

For the year ended 31 March 2009

	Securities, futures and insurance brokerage and margin financing *HK$'000*	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Total *HK$'000*
Turnover	**10,560**	**4,280**	**722**	**15,562**
Segment results	**(896)**	**54**	**22**	**(820)**
Unallocated revenue				**462**
Unallocated expenses				**(12,470)**
Write back of long outstanding amount due to a related company				**890**
Reversal of impairment losses on investment deposits				**8,500**
Change in fair value of financial assets designated as fair value through profit or loss	**24,800**			**24,800**
Discount on acquisitions of subsidiaries	**863**			**863**
Gain on disposal of subsidiaries				**61**
Gain on deemed disposal of partial interests in a subsidiary				**17**
Decrease in fair value of investments held for trading	**(2,313)**			**(2,313)**
Finance costs				**(4,162)**
Profit before taxation				**15,828**
Taxation				**(115)**
Profit for the year				**15,713**

For the year ended 31 March 2008

	Securities, futures and insurance brokerage and margin financing *HK$'000*	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Total *HK$'000*
Turnover	7,925	2,809	1,621	12,355
Segment results	1,064	(3,886)	(140)	(2,962)
Unallocated revenue				1,117
Unallocated expenses				(7,595)
Reversal of impairment losses on investment deposits				8,000
Loss on disposal of a subsidiary				(262)
Decrease in fair value of investments held for trading	(32)			(32)
Finance costs				(4,093)
Loss before taxation				(5,827)
Taxation				–
Loss for the year				(5,827)

As at 31 March 2009

	Securities, futures and insurance brokerage and margin financing ***HK$'000***	**Electrical engineering contracting** ***HK$'000***	**Sale of electrical goods** ***HK$'000***	**Total** ***HK$'000***
ASSETS				
Segment assets	**170,890**	**120**	**3**	**171,013**
Unallocated assets	**–**	**–**	**–**	**71,693**
Total assets				**242,706**
LIABILITIES				
Segment liabilities	**71,260**	**6,492**	**877**	**78,629**
Unallocated liabilities	**–**	**–**	**–**	**29,376**
Total liabilities				**108,005**

For the year ended 31 March 2009

	Securities futures and insurance brokerage and margin financing *HK$'000*	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
OTHER SEGMENT INFORMATION:					
Additions to property, plant and equipment	**2,020**	**–**	**24**	**1,305**	**3,349**
Depreciation of property, plant and equipment	**581**	**12**	**63**	**144**	**800**
OTHER SEGMENT INFORMATION:					
Impairment losses recognised in respect of trade receivable	**–**	**–**	**–**	**66**	**66**
Impairment losses recognised in respect of amount due from a related company	**–**	**–**	**–**	**13**	**13**
Impairment losses recognised in respect of amount due from an associate	**–**	**–**	**–**	**12**	**12**
Impairment losses recognised in respect of other receivables	**–**	**–**	**–**	**108**	**108**
Gain on disposal of investments held for trading	**–**	**–**	**–**	**(1)**	**(1)**
Gain on disposal of property, plant and equipment	**–**	**–**	**–**	**(29)**	**(29)**

As at 31 March 2008

	Securities, futures and insurance brokerage and margin financing *HK$'000*	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Total *HK$'000*
ASSETS				
Segment assets	21,669	486	501	22,656
Unallocated assets	–	–	–	57,164
Total assets				79,820
LIABILITIES				
Segment liabilities	12,655	7,476	1,272	21,403
Unallocated liabilities	–	–	–	37,381
Total liabilities				58,784

For the year ended 31 March 2008

	Securities, futures and insurance brokerage and margin financing *HK$'000*	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
OTHER SEGMENT INFORMATION:					
Additions to property, plant and equipment	–	14	–	897	911
Depreciation of property, plant and equipment	74	8	63	463	608

(b) Geographical segments

All of the activities of the Group are based in Hong Kong and all of the Group's revenue, capital expenditure and segment assets are derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

4. OTHER REVENUE

	2009	2008
	HK$'000	*HK$'000*
Handling charges	**154**	100
Interest income	**124**	331
Write back of long outstanding trade payables, other payables and accruals	**95**	571
Net exchange gain	**717**	–
Reversal of impairment losses on		
– trade receivables	**–**	199
– other receivables	**–**	500
Gain on disposal of property, plant and equipment	**29**	–
Gain on disposal of investments held for trading	**1**	–
Write back of long outstanding amount due to a related company	**890**	–
Sub-letting income	**308**	–
Sundry income	**68**	54
	2,386	1,755

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank overdrafts wholly repayable within five years	**73**	120
Obligations under finance lease	**53**	34
Other borrowings	**3,262**	3,939
Imputed interest expenses on convertible loan notes	**774**	–
	4,162	4,093

6. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits tax		
– Provision for the year	**92**	–
– Under-provision for prior years	**27**	–
Deferred tax		
– Credit for the year	**(4)**	–
Taxation for the year	**115**	–

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profits derived from Hong Kong for the year ended 31 March 2008.

Hong Kong Profits Tax was calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year ended 31 March 2009.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) before taxation:	**15,828**	(5,827)
Tax at domestic income tax rate of 16.5% (2008: 17.5%)	**2,612**	(1,020)
Tax effect of expenses not deductible for tax purpose	**2,425**	1,224
Tax effect of income not taxable for tax purpose	**(5,721)**	(1,484)
Utilisation of tax losses previously not recognised	**(15)**	(63)
Tax effect of tax losses not recognised	**787**	1,343
Under-provision in prior years	**27**	–
Taxation for the year	**115**	–

7. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

	2009	2008
	HK$'000	*HK$'000*
Auditors' remuneration		
– current year	**500**	620
– under-provision in prior years	**–**	19
Depreciation of property, plant and equipment		
– owned assets	**622**	269
– assets held under finance lease	**178**	339
Bad debts written off	**–**	34
Operating lease in respect of rented premises	**2,281**	919
Equity-settled share based payment		
– issue of remuneration shares	**1,200**	–
– issue of share warrants	**552**	–
	1,752	–
Net exchange loss	**–**	26
Impairment losses recognised in respect of		
– trade receivables	**66**	–
– other receivables	**108**	–
– amount due from an associate	**12**	–
– amount due from a related company	**13**	–
Total staff costs:		
– directors' remuneration	**1,973**	2,359
– salaries and allowance	**6,280**	5,988
– retirement benefit scheme contributions (excluding directors)	**261**	248
	8,514	8,595

8. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the two years ended 31 March 2009 and 2008.

9. EARNINGS (LOSS) PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of both basic and diluted earnings per share	**16,224**	(5,827)

The weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share as follows:

	2009	2008
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**501,671**	464,070
Effect of dilutive potential ordinary shares:		
– Share warrants	**1,414**	–
– Convertible loan notes	**5,616**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**508,701**	464,070

The calculation of diluted earnings (loss) per share for the two years ended 31 March 2009 and 2008 did not assume the exercise of the Company's options as exercise price of the share options was higher than the average market price for shares.

10. TRADE RECEIVABLES

The following are the balances of trade receivable, net of impairment losses:

	2009	2008
	HK$'000	*HK$'000*
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	**10,879**	2,635
– margin clients	**71,504**	7,369
Trade receivables from the business of dealing in futures		
– clearing houses and cash client	**7,923**	–
Trade receivables from electrical engineering contract and trading of electrical goods	**14**	675
	90,320	10,679

As at 31 March 2009, the Group had trade receivables balance of approximately HK$4,436,000 (2008: Nil) was denominated in USD.

The settlement terms of trade receivable arising from the business of dealing in securities are two days after trade date and trade receivable arising from the business of dealing in futures are one day after trading date. The trade receivable from electrical engineering contract and trading of electrical goods business allow a credit period of 30 to 90 days. The Group does not hold any collateral over these balances.

No ageing analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, the directors of the Company consider that the ageing analysis does not give additional value in the view of the nature of business of margin financing.

The following is an ageing analysis of trade receivables (excluded margin clients), net of impairment losses, at the reporting date:

	2009 HK$'000	2008 HK$'000
Less than 30 days	**16,650**	2,106
31 to 60 days	**893**	38
61 to 90 days	**407**	123
Over 90 days	**866**	1,043
	18,816	3,310

Trade receivable to margin clients are secured by the clients' pledged securities at fair values of approximately HK$319,189,000 (2008: HK$48,506,000) which can be sold at the Group's direction to settle any margin call requirements imposed by their respective securities transactions. The trade receivables to cash and margin customers are repayable on demand and bear interest at commercial rates. As at 31 March 2009, included in the total trade receivables, HK$81,377,000 (2008: HK$8,339,000) were interest bearing whereas HK$10,541,000 (2008: HK$3,087,000) were non-interest bearing.

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$2,992,000 (2008: HK$1,295,000) which are past due as at the reporting date for which the Group has not provided for impairment losses.

At 31 March 2009 and 2008, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	2009 HK$'000	2008 HK$'000
Less than 30 days	**825**	390
31 to 90 days	**1,301**	56
Over 90 days	**866**	849
	2,992	1,295

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movements in the impairment losses of trade receivables in aggregate during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**747**	946
Arising on acquisition of subsidiaries	**1,308**	–
Amounts written off as uncollectible	**(523)**	–
Recognised (reversal of) impairment losses during the year	**66**	(199)
Balance at end of the year	**1,598**	747

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$1,598,000 (2008: HK$747,000) were individually impaired of trade debtors who were in financial difficulties.

11. INVESTMENT DEPOSITS

	2009	2008
	HK$'000	*HK$'000*
Deposit for formation of a joint venture *(Note b)*	**5,000**	5,000
Earnest money for acquisition of an interest in the PRC company engaged in software development *(Note c)*	**3,500**	12,000
Deposit paid for acquisition of an associate in the PRC engaged in brokerage services for dealing in financial and commodity futures *(Note d)*	**37,307**	–
Deposit paid for acquisition of additional interests in a subsidiary engaged in brokerage for dealing in futures business *(Note e)*	**5,000**	–
Deposit paid for acquisition of entire interests of a subsidiary engaged in investment and corporate finance advisory, trading of securities and money lending *(Note f)*	**100**	–
	50,907	17,000
Less: Impairment losses recognised	**(8,500)**	(17,000)
	42,407	–

Notes:

(a) The above deposits are refundable and classified as current assets in the consolidated financial statements.

(b) A deposit of HK$10,000,000 was paid to a PRC party in May 2002 for the formation of a sino-foreign joint venture in the PRC in which the Group would own 49%. The joint venture was to be principally engaged in construction engineering consultancy and advisory services. The joint venture could not obtain the business license and half of the deposit amounting to HK$5,000,000 was refunded to the Group on 18 July 2005. Up to the date of this announcement, the Group is still taking steps to recover the deposits. As the amount has not yet received up to the announcement date and based on the assessment of the Company's directors, impairment losses was made in respect of the balance of HK$5,000,000.

(c) On 15 July 2005, the Group entered into a letter of intent with an independent third party and a guarantor in relation to the proposed acquisition of certain equity interests in a PRC company, which is principally engaged in the design and distribution of application software specifically for hospitals and clinics in the PRC. Pursuant to the terms of the letter of intent, the Group paid HK$20,000,000 as earnest money.

Pursuant to the cancellation agreement of the letter of intent date 28 September 2007, the earnest money paid of HK$20,000,000 was agreed to be fully refunded by the end of July 2008. During the year ended 31 March 2009 and 2008, the Group has recovered HK$8,500,000 and HK$8,000,000 respectively. Accordingly, this amount of the provision for impairment was reversed and credited to the consolidated income statement.

(d) On 9 December 2008, Fortune Financial (Holdings) Limited ("Fortune Financial"), a wholly owned subsidiary of the Company entered into a non-legally binding memorandum with an independent third party, Shenzhen Huade Petrochemical Company Limited* ("Shenzhen Huade") (深圳市華德石油化工有限公司) to acquire between 20% to 49% equity interest of New Era Futures Company Limited* ("New Era") (新紀元期貨有限公司) at a consideration of RMB1,500,000 (equivalent to approximately HK$1,690,000) for every 1% equity interests of New Era. The total aggregate consideration would be ranged from RMB30,000,000 to RMB73,500,000 (equivalent to approximately HK$33,810,000 to HK$82,840,000).

New Era is a company established in the PRC and engaged in brokerage services for dealing in financial and commodity futures contracts in the PRC. The Group had paid RMB3,000,000 (equivalent to HK$3,400,000) as deposit on 9 December 2008.

On 4 March 2009, Fortune Financial entered into a second non-legally binding memorandum with Shenzhen Huade to increase its targeted acquisition percentage on New Era's equity interests to not less than 40%. Correspondingly, the minimum total aggregated consideration would increased to RMB60,000,000. The Group had paid an additional deposit of RMB27,040,000 (equivalent to HK$33,907,000) on 5 March 2009. Details of the transaction had been set out in the Company's announcement dated 27 May 2009.

(e) On 6 March 2009, Fortune Financial entered into a sales and purchase agreement with an independent third party, Pioneer (China) Limited ("Pioneer China"), a minority shareholder of a subsidiary to acquire remaining 49% issued share capitals on Excalibur Futures Limited ("Excalibur Futures") at a consideration of HK$9,800,000. Details of the transaction had been set out in the Company's announcement dated 16 March 2009. As at 31 March 2009, the Group had paid HK$5,000,000 as a deposit for the acquisition. The transaction were approved by the shareholders of the Company at an extraordinary general meeting held on 29 May 2009.

(f) On 6 March 2009, Fortune Financial entered into a conditional sales and purchase agreement with an independent third party, Ample Wealth Group Limited to acquire an entire interests in Wealthy Aim Group Limited which owns 70% equity interests in AMS Capital Limited at a consideration of HK$58,400,000. Details of the transaction had been set out in the Company's announcement date 16 March 2009. As at 31 March 2009, the Group had paid HK$100,000 as a deposit for the acquisition.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2009 *HK$'000*	2008 *HK$'000*
Trade payables from the business of dealing in securities:		
– margin and cash clients	**28,878**	12,051
Trade payables from the business of dealing in future contracts	**40,637**	–
Trade payables arising from the business of electrical engineering contract work and trading of electrical goods	**4,034**	4,623
Other payables and accruals	**9,590**	8,795
	83,139	25,469

For trade payables, no ageing analysis is disclosed for Group's cash and margin clients as these clients were carried on an open account basis, the ageing analysis does not give additional value in the view of the nature of business of share margin financing.

At the balance sheet date, the ageing analysis of the trade payables arising from the business of electrical engineering contract work and trade of electrical goods was as follows:

	2009 *HK$'000*	2008 *HK$'000*
0-30 days	**–**	56
31 – 60 days	**–**	71
61 – 90 days	**7**	53
Over 90 days	**4,027**	4,443
	4,034	4,623

13. COMMITMENTS

At the balance sheet date, the Group had the following commitments in respect of:

(a) Capital commitments

	2009 *HK$'000*	2008 *HK$'000*
Contracted but not provided for:		
– acquisition of subsidiaries *(Note i)*	**82,400**	20,000
– acquisition of property, plant and equipment *(Note ii)*	**8,341**	–
	90,741	20,000

(i) On 6 March 2009, the Group entered into a sale and purchase agreement whereby the Group agreed to purchase the entire interest in Wealthy Aim Group Limited from Ample Wealth Group Limited, an independent third party, at a consideration of HK$58,500,000. The Group paid HK100,000 deposit as at 31 March 2009 and the balance of the consideration will be settled by the issuance of zero coupon convertible loan notes at conversion price of HK$0.16 each. The acquisition is conditional upon fulfillment of all conditions precedent in the sales and purchase agreement and the transaction has not yet completed up to the announcement date. Details of which are set out in the Company's announcement dated on 16 March 2009.

On 6 March 2009, the Group entered into two sale and purchase agreements to acquire 49% equity interests in Excalibur Securities Limited and Excalibur Futures Limited from Pioneer (China) Limited, a minority shareholder of the Group. The consideration of HK$19,200,000 and HK$9,800,000 respectively will be settled by issuance of zero coupon convertible loan notes at conversion price of HK$0.16 each, subjected to the profit guarantee for Excalibur Securities Limited for its net profits not less than HK$10,000,000 and HK$12,000,000 in 2009 and 2010 and Excalibur Futures Limited for its net profits not less than HK$4,500,000 and HK$5,000,000 respectively. The transactions were approved by independent shareholders of the Company at an extraordinary general meeting held on 29 May 2009 and details of which are set out in the Company's circular dated 8 May 2009. As at 31 March 2009, a total refundable deposit of HK$5,000,000 was paid.

(ii) On 18 February 2009, the Group has acquired 51% of the issued share capital of Excalibur Futures Limited which had previously entered into a project agreement with an independent third party to acquire an advanced specific software for futures contracts trading at a consideration of HK$20,000,000. As at year end date, the Group has prepaid HK$11,659,000 for the project cost.

(b) Other commitment

	2009	2008
	HK$'000	*HK$'000*
Contracted but not provided for:		
– placing of convertible notes	–	50,000

(c) Operating lease commitments

The Group as lessee

The Group leases certain of its offices premises under operating lease arrangements. Lease for properties are negotiated for a term ranging from two years and rental are fixed at the inception of lease. No provision for contingent rent and terms of renewal were established in the lease.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**8,385**	552
In the second to fifth years, inclusive	**3,697**	–
	12,082	552

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the year ended 31 March 2009, the total revenue for the group was approximately HK$15,562,000 (2008: approximately HK$12,355,000) and profit attributed to shareholders was approximately HK$16,224,000 (2008: loss of approximately HK$5,827,000). The profit was mainly attributable to a written back of provision of investment held for trading in amount of HK$24,800,000.

Market Overview

As expected, the Hong Kong stock market performed poorly during the year under review. The Hong Kong stock market was adversely affected by uncertainties in major financial markets around the world resulting from US sub-prime mortgage crisis, the global liquidity crunch and the bankruptcy of Lehman Brothers. Average daily turnover of Hong Kong stock market was approximately HK$76.1 billion in the second quarter 2008 and shrank to approximately HK$44.6 billion in the first quarter 2009.

Review of Operations

Securities Broking Business

The Group focused its securities broking business on the stocks market in Hong Kong. After the completion of acquisition of 51% equity interest in a local securities company on 17 February 2009, the Group had totally two securities companies which operated independently. During the year, revenue for the Group's securities broking business and the underwriting commission as well as placing commission, which accounted for 40% of total revenue, was approximately HK$6,294,000 (2008: approximately HK$6,636,000).

Securities Financing Business

During the year, interest income generated from securities margin loan portfolio which accounted for 12% of the Group's revenue was approximately HK$1,829,000 (2008: approximately HK$1,289,000). The group had injected more internal resources into securities financing business in order to meet the demands from our customers.

The Group will continue to exercise caution in the granting of securities financing to clients, closely monitor its credit policy and perform regular reviews and assessment on the gearing level, investment portfolio and credit record of individual borrowers.

Futures Broking Business

After the completion of acquisition of 51% equity interest in a local futures company on 17 February 2009, income generated from futures broking business accounted for 16% of the Group's revenue was approximately HK$2,424,000. The management expects that the futures broking business will be the key drivers of the Group's revenue in the coming year.

Electrical Engineering Contracting Business

By recognizing the retention money on the completed contracts, income from electrical engineering contracting business which accounted for 28% of the Group's revenue was approximately HK$4,280,000 (2008: approximately HK$2,809,000). As the Group is envisioned to become a renowned full range financial services provider in the financial industry in the long run, no new electrical engineering contract signed during the year.

Electrical Materials And Component Trading Business

Income from electrical materials and component trading business accounted for 4% of the Group's turnover was approximately HK$722,000 (2008: approximately HK$1,621,000).

Prospects

Turned to the second quarter of 2009, the average daily turnover of Hong Kong stock market was approximately HK$71.3 billion and the market sentiment seemed slightly recovered. Though a global economic recession is expected to continue in 2009, we remain hopeful that PRC's economy will retain its resilience. We believe Hong Kong will be able to withstand the challenges ahead on the back of its closer integration with the mainland and the considerable hidden wealth in the economy.

The Group will focus on further opportunities to invest in financial service provider in China. Pursuant to the announcement of the Company on 22 May 2009, the Group will acquire 49% equity interest in a company engaged in brokerage services for dealing in futures contracts in PRC.

Capital Structure

Pursuant to an engagement letter dated 15 April 2008 entered into between the Company and Veda Capital Limited ("Veda"), it was agreed that part of the professional fees charged by Veda of HK$1,200,000 were settled by the issue of remuneration shares upon approval by the Stock Exchange on the resumption of trading in the shares of the Company. As all conditions for the issuance of the remuneration shares had been fulfilled on 17 February 2009, 12,000,000 shares of HK$0.1 had been issued to Veda on the same day.

On 19 February 2009, the Company allotted and issued 80,000,000 shares of HK$0.1 each to independent third parties for cash at a price of HK$0.25 per share, and a gross proceed of approximately HK$19,300,000 was raised by the Company.

Pursuant to a conditional sale and purchase agreement (as amended) entered into between a wholly owned subsidiary of the Company (being the purchaser) and the vendor on 27 February 2008, the vendor agreed to sell or procure the sale to the purchaser and the purchaser agreed to purchase 51% issued share capital of Excalibur Securities Limited at a consideration of HK$20,000,000. The consideration was settled by way of the Company issuing the zero coupon convertible notes due three years from the date of issue for a principal amount of HK$20,000,000 in accordance with the terms as set out in the conditional sale and purchase agreement upon completion. All conditions as set out in the conditional sale and purchase agreement had been fulfilled and completion of acquisition took place on 17 February 2009. On the same day, the vendor converted the convertible notes in full and 200,000,000 shares of HK$0.1 each of the Company were duly issued.

As at 31 March 2009, the total issued share capital of the Company stood at HK$75,607,000, comprising 756,070,000 shares of HK$0.1 each.

Liquidity, Financial Resources and Gearing Ratio

The financial position of the Group remained healthy during the year under review. At 31 March 2009, the Group's cash balance totaled approximately HK$22,138,000, compared with approximately HK$15,390,000 as at 31 March 2008. Cash held on behalf of customers stood at approximately HK$60,211,000, increased from approximately HK$11,140,000 as at 31 March 2008. The current ratio was healthy at 2.73 times.

As at 31 March 2009, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 21.98% (2008: 152.91%). The Group had issued a zero coupon convertible note in the aggregate principal amount of HK$50 million due in three years on 19 February 2009. As the total shareholders' equity increased by issuing new shares during the year, the gearing ratio dropped.

Material Acquisition and Disposal

During the year, the Group had completed acquisition of 51% equity interest in Excalibur Securities Limited ("ESL") at a consideration HK$20,000,000. The consideration had been settled by issuing zero coupon convertible notes of the Company due three years from the date of issue for a principal amount of HK$20,000,000. ESL is a corporation licensed to carry on type 1 (dealing in securities) regulated activity under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

During the year, the Group had also completed acquisition of 51% equity interest in Excalibur Futures Limited ("EFL") at a consideration HK$10,200,000. The consideration had been settled by issuing a promissory note in the amount of HK$10,200,000 without interest by the Company. EFL is a corporation licensed to carry on type 2 (dealing in futures contract) regulated activity under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Contingent Liabilities

As at 31 March 2009, the Group does not have any material contingent liability.

Charge on the Group's Asset

During the year, the bank deposits previously pledged to bank for securing certain bank facilities had been released. As at 31 March 2009, the Group had not charged or pledged any of its assets.

Risk Management

The Group has properly put in place credit management policies which cover the examination of the approval of client's trading and credit limits, regular review of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

Foreign Currency Fluctuation

During the year, the Group mainly uses Hong Kong dollars to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

Human Resources

Employees' remuneration are fixed and determined with reference to the market remuneration.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2009.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, namely Mr. Ng Kay Kwok, Mr. Lam Ka Wai, Graham and Mr. Tam B Ray Billy, has reviewed with the management and the external auditor of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 March 2009.

CONFIRMATION FOR INDEPENDENCE

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive directors are independent.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiry of the Company, all directors confirmed that they have complied with the Model Code for the year ended 31 March 2009.

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

Hong Kong, 27 July 2009

This announcement is also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.290.com.hk). The Group's Annual Report 2008/2009 containing all the information required by the Listing Rules will be published on the Stock Exchange's and the Company's website in due course.

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.

* *For identification purpose only*