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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The board (the “Board”) of directors (the “Directors”) of China Fortune Group Limited (the “Company”) announced the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009 together with the comparative figures for the corresponding period in year 2008 as follows:

RESULTS

Condensed Consolidated Income Statement

For the six months ended 30 September 2009

		(unaudited)	
		Six months ended	
		30 September	
		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	38,009	4,192
Cost of sales		(10,003)	(2,002)
Gross profit		28,006	2,190
Other revenue		1,635	269
Reversal of impairment losses on investment deposits	4	2,650	8,000
Reversal of impairment losses on investment held for trading		–	24,800
Increase (decrease) in fair value of trading securities		703	(2,387)
Administrative expenses		(25,978)	(6,648)
Finance costs	5	(5,746)	(1,793)

		(unaudited)	
		Six months ended	
		30 September	
		2009	2008
	<i>Notes</i>	HK\$'000	HK\$'000
Profit before taxation	6	1,270	24,431
Taxation	7	<u>(1,229)</u>	<u>—</u>
Profit for the period		<u>41</u>	<u>24,431</u>
Attributable to:			
Equity holders of the Company		(2,404)	24,431
Minority interests		<u>2,445</u>	<u>—</u>
		<u>41</u>	<u>24,431</u>
Earning (loss) per share	9		
Basic (HK cents)		<u>(0.30)</u>	<u>5.20</u>
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

	(Unaudited)	
	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	<u>41</u>	<u>24,431</u>
Other Comprehensive Income		
Other comprehensive income for the period (net of tax)	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>41</u>	<u>24,431</u>
Total comprehensive income attributable to:		
Equity holders of the Company	(2,404)	24,431
Minority interest	<u>2,445</u>	<u>—</u>
	<u>41</u>	<u>24,431</u>

Condensed Consolidated Statement of Financial Position

As at 30 September 2009

		As at 30 September 2009 HK'000 (unaudited)	As at 31 March 2009 HK'000 (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		4,538	4,792
Intangible assets		980	980
Goodwill		33,411	2,554
Deferred tax assets		61	61
Other non-current assets		2,312	2,262
		<u>41,302</u>	<u>10,649</u>
Current assets			
Trading securities – equity shares listed in Hong Kong		1,145	442
Trade receivables	10	209,003	90,320
Other receivables, deposits and prepayments		24,858	15,638
Investment deposits		43,094	42,407
Amount due from a minority shareholder of a subsidiary		178	125
Amount due from a director		924	776
Bank balances and cash – trust		120,248	60,211
Bank balances and cash – general		109,612	22,138
		<u>509,062</u>	<u>232,057</u>
Current liabilities			
Other borrowings – unsecured		60,047	–
Trade payables, other payables and accruals	11	132,647	83,139
Amount due to a director		–	10
Tax payables		1,978	850
Provisions		940	940
		<u>195,612</u>	<u>84,939</u>
Net current assets		<u>313,450</u>	<u>147,118</u>
		<u>354,752</u>	<u>157,767</u>
Capital and reserves			
Share capital	12	97,987	75,607
Reserves		48,688	29,313
Equity attributable to equity holders of the Company		<u>146,675</u>	<u>104,920</u>
Minority interests		<u>–</u>	<u>29,781</u>
Total equity		<u>146,675</u>	<u>134,701</u>
Non-current liabilities			
Convertible loan notes		208,077	23,066
		<u>354,752</u>	<u>157,767</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2009 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 April 2009.

The applicable new HKFRSs adopted in the condensed consolidated interim financial statements are set out below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008 except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 to HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described below.

HKFRS 8 “Operating Segments”

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group’s reportable segments (note 3), but has had no impact on the reported results or financial position of the Group.

HKAS 1 (Revised) “Presentation of Financial Statements”

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 27 (Revised)	Consolidation and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Right Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁵
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 January 2011.

⁶ Effective for annual periods beginning on or after 1 January 2013.

⁷ Effective for annual periods beginning on or after 1 July 2010.

The adoption of HKFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition date is 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 that do not result in a loss of control, which will be accounted for as equity transactions. The directors anticipate that the application of the other new or revised standards, amendments or interpretations will not have material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 with effect from 1st April 2009. 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 operation decision maker in order to allocate resources to the segment and assess its performance. In contrast, the predecessor Standard (HKAS 14) 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 starting point for the identification of such segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In the past, the Group's primary reporting segment was business segments: (i) securities, futures and insurance brokerage and margin financing (ii) electrical engineering contracting and (iii) sale of electrical goods. However, for the propose of resources allocation and assessment of performance, the directors of the Group, are more focused on the performance of financial related business, thus the Group reclassified its business segments to (i) securities brokerage and margin financing (ii) futures brokerage (iii) insurance brokerage and (iv) electrical engineering and sale of electrical goods.

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

	For the six months ended 30 September 2009 (unaudited)					
	Securities brokerage and margin financing HK\$'000	Futures brokerage HK\$'000	Insurance brokerage HK\$'000	Electrical engineering contracting and sale of electrical goods HK\$'000	Unallocated HK\$'000	Total HK\$'000
External revenue	24,978	12,198	349	484	–	38,009
Turnover	<u>24,978</u>	<u>12,198</u>	<u>349</u>	<u>484</u>	<u>–</u>	<u>38,009</u>
Operating profit	11,916	5,392	(464)	697	(10,532)	7,009
Interest income	7	–	–	–	–	7
Finance costs	<u>(90)</u>	<u>(5)</u>	<u>(1)</u>	<u>–</u>	<u>(5,650)</u>	<u>(5,746)</u>
Segment results	<u>11,833</u>	<u>5,387</u>	<u>(465)</u>	<u>697</u>	<u>(16,183)</u>	1,270
Taxation						<u>(1,229)</u>
Profits for period						<u>41</u>

For the six months ended 30 September 2008 (unaudited)

	Securities brokeage and margin financing <i>HK\$'000</i>	Futures brokeage <i>HK\$'000</i>	Insurance brokeage <i>HK\$'000</i>	Electrical engineering contracting and sale of electrical goods <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
External revenue	3,118	–	–	1,074	–	4,192
Turnover	<u>3,118</u>	<u>–</u>	<u>–</u>	<u>1,074</u>	<u>–</u>	<u>4,192</u>
Operating profit	82	–	–	(897)	27,004	26,189
Interest income	25	–	–	10	–	35
Finance costs	<u>(27)</u>	<u>–</u>	<u>–</u>	<u>(43)</u>	<u>(1,723)</u>	<u>(1,793)</u>
Segment results	<u>80</u>	<u>–</u>	<u>–</u>	<u>(930)</u>	<u>25,281</u>	24,431
Taxation						<u>–</u>
Profits for period						<u>24,431</u>

All the group's activities are carried out in Hong Kong.

4. REVERSAL OF IMPAIRMENT LOSSES ON INVESTMENT DEPOSITS

	Six months ended 30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Partial refund on earnest money for proposed acquisition of interest in a PRC company engaged in software development (<i>note</i>)	<u>2,650</u>	<u>8,000</u>

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\$19,150,000 had been refunded.

5. FINANCE COSTS

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank overdrafts wholly repayable within five years	53	40
Obligations under finance lease	–	14
Other borrowings	593	1,739
Imputed interest expenses on convertible loan notes	<u>5,100</u>	<u>–</u>
	<u>5,746</u>	<u>1,793</u>

6. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The Group's loss before taxation is arrived at after charging:		
Staff costs including directors' remuneration	8,428	2,863
Retirement benefits schemes contributions	<u>204</u>	<u>97</u>
Total staff costs	<u>8,632</u>	<u>2,960</u>
Depreciation of property, plant and equipment	<u>806</u>	<u>162</u>
and after crediting:		
Reversal of impairment losses on investment deposits	2,650	8,000
Reversal of impairment losses on investment held for trading	<u>–</u>	<u>24,800</u>
Net gain/(loss) on investments at fair value through profit or loss:		
Unrealised gain/(loss) on investment in listed securities	<u>703</u>	<u>(2,387)</u>

7. TAXATION

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Hong Kong	<u>1,229</u>	<u>–</u>

Hong Kong Profits Tax for the six months ended 30 September 2009 and 2008 was calculated at 16.5% of the estimated assessable profit for the period.

8. DIVIDENDS

No dividends were declared during the six months ended 30 September 2009 (six months ended 30 September 2008: nil).

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
	(unaudited)	(unaudited)
Earnings (loss) for the purpose of both basic and diluted earnings per share	<u>(2,404)</u>	<u>24,431</u>

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	810,969	464,070
Effect of dilutive potential ordinary shares:		
– Share warrants	12,000	–
– Convertible loan notes	<u>576,585</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>1,519,554</u>	<u>464,070</u>

10. TRADE RECEIVABLES

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

	30 September 2009 <i>HK\$'000</i> (unaudited)	31 March 2009 <i>HK\$'000</i> (audited)
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	54,309	10,879
– margin clients	144,844	71,504
Trade receivables from the business of dealing in futures		
– clearing houses and cash client	9,839	7,923
Trade receivable from the business of insurance brokerage	11	–
Trade receivables from electrical engineering contract and trading of electrical goods	–	14
	<u>209,003</u>	<u>90,320</u>

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.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 September 2009 <i>HK\$'000</i> (unaudited)	31 March 2009 <i>HK\$'000</i> (audited)
Trade payables from the business of dealing in securities:		
– margin and cash clients	81,493	28,878
Trade payables from the business of dealing in future contracts	39,504	40,637
Trade payables arising from the business of electrical engineering contract work and trading of electrical goods	4,250	4,034
Other payables and accruals	7,400	9,590
	<u>132,647</u>	<u>83,139</u>

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.

12. SHARE CAPITAL

	No. of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 each		
At 31 March 2009 and 30 September 2009	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 April 2009	756,070,000	75,607
Conversion of convertible loan notes	220,000,000	22,000
Exercise of share option	<u>3,800,000</u>	<u>380</u>
At 30 September 2009	<u>979,870,000</u>	<u>97,987</u>

Interim dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of brokerage services for securities, futures and insurance and margin financing; electrical engineering contracting; and sale of electrical goods.

Review of Operations

During the six months ended 30 September 2009, the total unaudited revenue for the Group was approximately HK\$38,009,000 (2008: approximately HK\$4,192,000) and the unaudited loss attributed to shareholders of the Company ("Shareholders") was approximately HK\$2,404,000 (2008: profit of approximately HK\$24,431,000).

Securities broking and margin financing

The revenue for the group's securities broking and margin financing business during the period under review recorded approximately HK\$24,978,000 (2008: approximately HK\$3,118,000) that accounted for approximately 65.7% of the Group's total revenue (2008: approximately 74.4%). The increase in this revenue was due to increasing commission income from active transactions by securities clients under the improving sentiment of capital market in Hong Kong and increasing placing agents commission income.

After the completion of the acquisition of the remaining 49% equity interest in Excalibur Securities Limited ("ESL") on 11 August 2009, the Group has two wholly-owned securities brokerage arms, namely ESL and Fortune (HK) Securities Limited. As per announcement of the Company dated 22 October 2009, Fortune Financial (Holdings) Limited ("Fortune Financial"), a wholly owned subsidiary of the Company (as vendor) and ESL entered into a conditional sale and purchase agreement with Faith Star Asia Limited ("Faith Star") (as purchaser) on 16 October 2009 in relation to the disposal of the entire equity interest in ESL. The reasons for this disposal are, while the Company initially considered and continues to consider that ESL would help generate cost and operating efficiencies and other synergistic effects to the Group, the Company believes the synergistic advantages to be gained does not override the immediate benefits to be gained from this disposal. The Company already has a well established securities business in place, insofar as the disposal of ESL would represent a good opportunity for the Company to realize its investment in ESL at a premium to the acquisition cost and to release resources for development and investment in other business opportunities. Further details of this disposal will be discussed in the section headed "Subsequent Event" below.

For the margin financing business, the group had continued to inject internal resources into the business in order to meet the demands from our customers during the period under review. The Group will continue to exercise caution in the granting of margins 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

The revenue from the group's futures broking business under review recorded approximately 12,198,000 that accounted for 32% of the Group's total revenue. Based on the historical audited figures, the turnover of the futures broking business showed an upward trend for the past three years.

Insurance broking

The revenue from the group's insurance broking business under review recorded approximately HK\$349,000 that accounted for 1% of the Group's total revenue. The insurance broking business had just been newly set up in January 2009.

Electrical Engineering Contracting Business and Trading of Electrical Goods

No new electrical engineering contract has been signed during the last financial year ended 31 March 2009 and during the period under review. During the period under review, the electrical engineering contracting business generated a revenue of approximately HK\$484,000, representing a decrease of approximately 54.9% from HK\$1,074,000 in the corresponding period in 2008. Revenue from the electrical engineering contracting business accounted for approximately 1.3% (2008: 25.6 %) of the total turnover of the Group.

As per announcement of the Company dated 27 November 2009, the Company (as vendor) entered into the conditional sale and purchase agreement with Mr. Lai Sai Sang (as Purchaser) on 24 November 2009 in relation to, among others, the disposal of Yew Sang Hong (BVI) Limited ("YSH"), a wholly-owned subsidiary of the Company. YSH together with its subsidiaries accounted for the Group's entire electrical engineering contracting and sale of electrical goods business. Further details of this disposal will be discussed in the section headed "Subsequent Event" below.

Prospects

The Group aims at becoming a full range financial services provider in the financial industry in the long run. The corporate strategy of the Company is to strengthen its existing brokerage services for futures, securities, insurance and margin financing business while, at the same time, to broaden its business scope through self-development and through vertical and/or horizontal acquisitions.

In line with the corporate strategy, during the period under review, the Company continued its acquisition of 49% equity interest in 新紀元期貨有限公司 (New Era Futures Company Limited*) ("New Era Futures"), a company established in the PRC engaged in brokerage services for dealing in financial and commodity futures contracts in the PRC. By acquiring New Era Futures, the Company can extend the scope of its securities business to financial and commodity futures contracts dealings in the PRC to prepare itself as a full range financial services company. This acquisition is also in line with one of the existing principal business of the Group, being provision of brokerage services for securities, futures and insurance and margin financing. The Directors believe that the expanded scope of business of the Group into the futures brokerage business in the PRC would provide an extra income source for the Group. Further details of this disposal will be discussed in the section headed "Material Acquisition and Disposal" below.

* For identification purpose only

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 therefore, the development of the Group in long term gradually. Following the disposals of ESL and YSH as discussed above, the Group will continue its existing business of securities, futures and insurance brokerage and margin financing and will focus on exploring opportunities to invest in financial service provider in the PRC.

Capital Structure

As at 31 March 2009, the total issued share capital of the Company was 756,070,000 shares of HK\$0.1 each ("Share(s)").

On 27 February 2008, the Company entered into a placing agreement with Kingston Securities Limited in respect of a conditional placing of the zero coupon convertible notes in the aggregate principal amount of HK\$50 million due in three years from the date of issue by the Company, that is, 18 February 2012, with the conversion price of HK\$0.1 per conversion share ("China Fortune CB1"). During the six months ended 30 September 2009, convertible notes with an aggregate principal amount of HK\$22,000,000 were converted into 220,000,000 ordinary Shares.

On 25 September 2009, 3,800,000 new Shares were issued pursuant to the share option scheme of the Company adopted on 12 February 2003 and refreshed on 18 March 2005.

As at 30 September 2009, the total issued Shares were 979,870,000 Shares.

Fund Raising Activities

On 6 May 2009, the Company entered into a subscription agreement with Top Good Holdings Limited ("Top Good") in respect of the issuance of zero coupon convertible bonds of the Company in the principal amount of HK\$32 million to Top Good due in three years from the date of issue; that is 29 June 2012, with the conversion price of HK\$0.16 per conversion share ("China Fortune CB2"). China Fortune CB2 may be convertible into a maximum number of 200,000,000 new Shares. Pursuant to the approval by the Shareholders at the extraordinary general meeting of the Company held on 29 May 2009, the Company had issued China Fortune CB2 in an aggregate principal amount of HK\$32 million to Top Good.

On 22 May 2009, the Company entered into a subscription agreement with Jadehero Limited ("Jadehero") in respect of the issuance of the zero coupon convertible bonds in the principal amount of HK\$128 million due on 31 December 2012 at an exercise price of HK\$0.16 per conversion share ("China Fortune CB3") to Jadehero with the option for Jadehero to further subscribe China Fortune CB3 up to a maximum principal amount of HK\$128 million convertible into a maximum of 800 million new Shares. Following the approval by the Shareholders at the extraordinary general meeting of the Company held on 3 July 2009, the Company had issued China Fortune CB3 in an aggregate principal amount of HK\$128 million to Jadehero.

Liquidity and Financial Resources and Gearing Ratio

As at 30 September 2009, the Group's total current assets and current liabilities were approximately HK\$509,062,000 (as at 31 March 2009: HK\$232,057,000) and approximately HK\$195,612,000 (as at 31 March 2009: approximately HK\$84,939,000) respectively, while the current ratio was about 2.6 times (as at 31 March 2009: about 2.7 times).

As at 30 September 2009, the Group's aggregate cash balance amounted to approximately HK\$109,612,000 (as at 31 March 2009: HK\$22,138,000), representing approximately 21.5% (as at 31 March 2009: approximately 9.5%) of total current assets.

As at 30 September 2009, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 182.8% (as at 31 March 2009: approximately 21.98%). The increase in the gearing ratio was mainly due to issuance of convertible bond and borrowing of new unsecured loan during period under review.

Litigation

On 17 August 2009, Yew Sang Hong Limited, a wholly-owned subsidiary of the Company, received a winding-up petition (the "Winding-Up Petition") issued by the Hong Kong Housing Authority ("HKHA") demanding repayment of the Judgment Debts of HK\$1,094,252.20 together with the accrued and further interest. The case was fully settled by a mutually agreed amount of HK\$400,000 and the winding-up petition was withdrawn on 19 October 2009.

One of the Company's subsidiary had claimed for rental deposit in the sum of HK\$130,000 and was counterclaimed by the landlord in the sum of approximately HK\$940,000 for alterations made, chattels removed and loss of rental. The Company is currently seeking legal advice for further course of action.

Other than those disclosed above, there were no material litigation in respect of outstanding litigation or legal proceedings that need to be disclosed as at 30 September 2009.

Significant Investment

Jetgain Limited ("Jetgain") (as subscriber), a wholly-owned subsidiary of the Company, entered into a subscription agreement dated 18 September 2009 with Value Convergence Holdings Limited ("VC Holdings") (as issuer), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to subscribe for the convertible bonds to be issued by VC Holdings in a principal amount of HK\$100,000,000 with an initial conversion price of HK\$1.00 per share of HK\$0.10 each in the share capital of VC Holdings. Details of this investment were set out in the announcement of the Company dated 18 September 2009.

Material Acquisitions and Disposals

On 6 March 2009, Fortune Financial entered into a conditional agreement with Pioneer (China) Limited (“Pioneer”) as the vendor to acquire the remaining 49% equity interest in ESL at a consideration HK\$19,200,000. The consideration had been settled by issuing zero coupon convertible notes of the Company in a principal amount of HK\$19,200,000 due in three years from the date of issue, that is 23 August 2012 with conversion price of HK\$0.16 per conversion share. ESL is a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”). The acquisition was completed on 11 August 2009 and ESL thereafter became a wholly-owned subsidiary of the Company.

On 6 March 2009, Fortune Financial also entered into a conditional agreement with Pioneer as the vendor to acquire the remaining 49% equity interest in Excalibur Futures Limited (“EFL”) at a consideration HK\$9,800,000. The consideration had been settled by issuing zero coupon convertible notes of the Company in a principal amount of HK\$9,800,000 due in three years from the date of issue, that is 23 August 2012 with conversion price of HK\$0.16 per conversion share. EFL is a corporation licensed to carry on type 2 (dealing in futures contract) regulated activity under the SFO. The acquisition was completed on 11 August 2009 and EFL thereafter become a wholly-owned subsidizing the Company.

On 22 May 2009, Fortune Financial entered into a conditional share transfer agreement with 深圳市華德石油化工有限公司 (Shenzhen Huade Petrochemical Company Limited*) (“Shenzhen Huade”), a company established in the PRC, to acquire 49% equity interest in New Era Futures at a consideration of RMB58,830,000 (equivalent to approximately HK\$66,850,000). The acquisition has not been completed as at the date of this announcement.

Capital Commitments

- (i) Pursuant to the conditional share transfer agreement with Shenzhen Huade, the Group has to pay approximately HK\$23.63 million as remaining balance of consideration upon completion of the acquisition.
- (ii) Pursuant to the subscription agreement with VC Holdings, the Group has to pay HK\$100 million to subscribe for the convertible bonds to be issued by VC Holdings upon completion. The completion date has been extended to 31 December 2009.

Save as disclosed above, the Group has no other material commitments as at 30 September 2009.

* For identification purpose only

Subsequent Events

On 6 March 2009, Fortune Financial entered into a conditional sale and purchase agreement with an independent third party, Ample Wealth Group Limited, to acquire the entire interest in Wealthy Aim Group Limited (“Wealth Aim”), which owns 70% equity interests in AMS Capital Limited, at a consideration of HK\$58,500,000 (“AMS Agreement”). The AMS Agreement was terminated on 2 November 2009. Details of the termination of the acquisition were set out in the Company’s announcement dated 3 November 2009.

On 16 October 2009, a conditional sale and purchase agreement was entered into among Fortune Financial (as vendor), Faith Star (as purchaser) and ESL (being the target company) in relation to the disposal of the entire equity interest in ESL by Fortune Financial to Faith Star at the consideration of the net asset value of ESL based on the management accounts of ESL as at the date of completion of disposal plus HK\$5 million. The disposal has yet to be completed as at the date this announcement.

On 2 November 2009, Jadehero converted China Fortune CB3 in a principal amount of HK\$67,040,000 at a conversion price of HK\$0.16 per conversion share into 419 million new Shares.

On 24 November 2009, the Company (as vendor) entered into a conditional agreement with Mr. Lai Sai Sang (as purchaser) in relation to the disposal of the entire equity interest in YSH and the loan owed by the YSH and its subsidiaries (“YSH Group”) to the Company in the sum of HK\$5,110,683 at the consideration of HK\$10,000. The disposal has yet to be completed as at the date this announcement.

Subsequent to the subscription agreement entered in between Jetgain and VC Holdings on 18 September 2009 in respect of the subscription of convertible bonds at an initial conversion price of HK\$1.00 per conversion share to be issued by VC Holdings in a principal amount of HK\$100,000,000, Jetgain entered into a supplemental agreement with VC Holdings on 4 December 2009 to extend the completion date to 31 December 2009.

On 3 December 2009, King Dynasty Group Limited, a wholly owned subsidiary of the Company (as purchaser), entered into a Memorandum of Understanding with VC Financial Group Limited (as vendor) in relation to the acquisition of 9.9% of equity capital in VC Capital Limited at a consideration not more than HK\$1.6 million and 9.9% of the Equity Capital in VC Asset Management Limited at a consideration of not more than HK\$0.6 million.

Charges on the Group’s Assets

As at 30 September 2009, the Group had not charged or pledged any of its assets. (31 March 2009: Nil)

Foreign Currency Fluctuation

During the six months ended 30 September 2009, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

Employees

At as 30 September 2009, the Group had 108 employees. The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits.

Directors' interests in Shares and underlying shares of the Company

As at 30 September 2009, save as certain nominee shares in subsidiaries held by the Directors in trust for the Group, the interests and short positions of each of the Directors or chief executive of the Company and their associates in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Interests in Shares:

Name of Director	Number of underlying shares held through controlled corporations	Percentage of the Company's issued share capital
Wong Kam Fat, Tony (<i>Note A</i>)	<u>1,600,000,000</u>	<u>163.29%</u>

Note A: On 22 May 2009, the Company entered into a subscription agreement with Jadehero in respect of subscription of China Fortune CB3 in the principal amount of HK\$128 million with the option for Jadehero to further subscribe China Fortune CB3 up to a maximum principal amount of HK\$128 million.

Jadehero Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited.

Wong Kam Fat, Tony, the chairman and non-executive Director of the Company appointed on 11 September 2009, is the beneficial owner of the entire equity interest in Marvel Steed Limited whereas Xia Ying Yan is the beneficial owner of the entire equity interest in Southlead Limited.

Save as disclosed above, as at 30 September 2009, none of the Directors nor the chief executive of the Company, had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interest

As at 30 September 2009, the register of substantial shareholders' interests in Shares and short positions maintained under section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more held in the Shares and underlying shares of the Company.

Long position in the Shares and underlying shares of the Company:

Name of Shareholder(s)	Capacity	Number of Shares	underlying shares	Approximate percentage to the issued Total share capital of the Company as at 30 September 2009	
				number Share and underlying shares	
Good Treasure Holdings Limited (<i>Note 1</i>)	Beneficial owner	108,000,000	9,000,000	117,000,000	11.94%
Li Chun Sing, Andrew (<i>Note 1</i>)	Interest of controlled corporation	108,000,000	9,000,000	117,000,000	11.94%
Pioneer (China) Limited (<i>Note 2</i>)	Beneficial owner	—	181,250,000	181,250,000	18.50%
Mr. Lao Chio Kuan (<i>Note 2</i>)	Beneficial owner	200,000,000	181,250,000	381,250,000	38.91%
Kademan Ltd (<i>Note 2</i>)	Interest of controlled corporation	—	181,250,000	181,250,000	18.50%
Chan Hoei Len (<i>Note 2</i>)	Interest of controlled corporation	—	181,250,000	181,250,000	18.50%

Name of Shareholder(s)	Capacity	Number of		Share and underlying shares	Approximate percentage to the issued Total share capital of the Company as at 30 September 2009
		Shares	underlying shares		
Top Good Holdings Limited <i>(Note 3)</i>	Beneficial owner	263,738,000	230,000,000	493,738,000	50.39%
PME Group Limited <i>(Note 3)</i>	Interest of controlled corporation	263,738,000	230,000,000	493,738,000	50.39%
Ample Wealth Group Limited <i>(Note 4)</i>	Beneficial owner	–	365,000,000	365,000,000	37.25%
Chan Wan Ying Debby <i>(Note 4)</i>	Interest of controlled corporation	–	365,000,000	365,000,000	37.25%
Jadehero Limited <i>(Note 5)</i>	Beneficial owner	–	1,600,000,000	1,600,000,000	163.29%
Southlead Limited <i>(Note 5)</i>	Interest of controlled corporation	–	1,600,000,000	1,600,000,000	163.29%
Xia Ying Yan <i>(Note 5)</i>	Interest of controlled corporation	–	1,600,000,000	1,600,000,000	163.29%
Marvel Steed Limited <i>(Note 5)</i>	Interest of controlled corporation	–	1,600,000,000	1,600,000,000	163.29%
Wong Kam Fat, Tony <i>(Note 5)</i>	Interest of controlled corporation	–	1,600,000,000	1,600,000,000	163.29%

Notes:

1. Good Treasure Holdings Ltd (“Good Treasure”) is a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Mr. Li Chun Sing, Andrew.

In addition to the 108,000,000 Shares (representing approximately 11.02% of the issued share capital of the Company as at 30 September 2009), Good Treasure has also been granted a call option to acquire the entire 9,000,000 Shares (representing approximately 0.92% of the issued share capital of the Company as at 30 September 2009) at an exercise price of HK\$1 in total pursuant to a Deed of Assignment entered into between Good Treasure, Highworth Venture Limited and Billion Boom Investments Limited on 5 November 2007. The share certificates in respect of the 9,000,000 Shares were reported to have been lost and the replacement certificates are being applied for.

In all, as at 30 September 2009, Good Treasure is deemed to be interested in an aggregate of 117,000,000 Shares (representing approximately 11.94% of the issued share capital of the Company as at 30 September 2009) under the SFO.

2. Pioneer is owned as to 50.92% by Mr. Lao Chio Kuan, who does not hold any role/position in the Company save for being a Shareholder. Mr. Lao is also the registered owner of 200,000,000 Shares (representing approximately 20.41% of the issued share capital of the Company as at 30 September 2009).

The balance of 49.08% equity interest in Pioneer is owned by Kademan Ltd, a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Mr. Chan Hoei Len.

3. As at 30 September 2009, Top Good, a wholly-owned subsidiary of PME Group Limited, a company whose shares are listed on the main board of the Stock Exchange, is the registered beneficial owner of 263,738,000 Shares (representing approximately 26.92% of the issued share capital of the Company as at 30 September 2009) and owns (i) China Fortune CB1 in the principal amount of HK\$3,000,000; and (ii) China Fortune CB2 in the principal amount of HK\$32,000,000.

4. On 6 March 2009, Fortune Financial entered into the AMS Agreement with Ample Wealth Group Limited to acquire an entire interest in Wealthy Aim which owns 70% equity interests in AMS Capital Limited at a consideration of HK\$58,400,000. The consideration shall be satisfied by an initial deposit of HK\$100,000 and the remaining balance by way of issuing the zero coupon convertible notes due three years from the date of issue for a principal amount of HK\$58.4 million (“AMS Convertible Notes”) subject to certain limitation on issuance and conversion as set out in the AMS Agreement.

Pursuant to the AMS Agreement, the Purchaser procures the Company to issue the AMS Convertible Notes to Ample Wealth upon completion of the acquisition of entire issued capital of Wealthy Aim.

Ample Wealth Group Limited is a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Ms. Chan Wan Ying, Debby.

The acquisition was terminated on 2 November 2009. Details of the termination of the acquisition were set out in the Company’s announcement dated 3 November 2009.

5. On 22 May 2009, the Company entered into a subscription agreement with Jadehero in respect of subscription of China Fortune CB3 in the principal amount of HK\$128 million with the option for Jadehero to further subscribe China Fortune CB3 up to a maximum principal amount of HK\$128 million.

Jadehero Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited.

Wong Kam Fat, Tony, the chairman and non-executive Director of the Company appointed on 11 September 2009, is the beneficial owner of the entire equity interest in Marvel Steed Limited whereas Xia Ying Yan is the beneficial owner of the entire equity interest in Southlead Limited.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the six months ended 30 September 2009.

Change of Auditor

On 1 June 2009, the Company received a resignation letter from Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) (“SLP”) resigning as auditors of the Group with immediate effect.

Following the resignation of SLP, SHINEWING (HK) CPA Limited was appointed as auditors of the Company to fill the casual vacancy created by SLP with effect from 1 June 2009 and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

Audit Committee

The audit committee comprises three independent non-executive Directors, Mr. Ng Kay Kwok, Mr. Lam Ka Wai, Graham and Mr. Tam B Ray, Billy. 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 2009.

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 under review, the Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2009.

Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Upon specific enquiry of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2009.

Publication 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 2009 Interim Report will be dispatched to the Shareholders 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, 18 December 2009

As at the date of this announcement, the Board consists of two Executive Directors, namely Mr. Ng Cheuk Fan, Keith (Managing Director) and Mr. Yeung Kwok Leung; one Non-Executive Director, Mr. Wong Kam Fat, Tony (Chairman), and three Independent Non-Executive Directors, namely Mr. Tam B Ray Billy, Mr. Ng Kay Kwok and Mr. Lam Ka Wai, Graham.