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INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board (the “Board”) of directors (the “Directors”) of China Fortune Group Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009.

These Interim Financial Statements have not been audited, but have been reviewed by the Company’s audit committee.

RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		Six months ended 30 September 2010	2009
	<i>Notes</i>	HK\$’000 (Unaudited)	HK\$’000 (Unaudited) (restated)
Continuing operations			
Turnover	3	57,798	37,525
Cost of securities and futures brokerage and margin financing		(15,435)	(9,969)
Other revenue	4	5,334	1,474
Depreciation and amortisation		(2,788)	(801)
Salaries and allowance		(16,751)	(8,422)
Reversal of impairment loss on investment deposits		—	2,650
Change in fair value of derivative component of convertible loan note		13,344	—
Loss on acquisition of a subsidiary		(2,261)	—
Gain on disposal of a subsidiary		702	—
Other operating and administrative expenses		(27,493)	(16,138)
Finance costs	5	(11,935)	(5,746)

		Six months ended	
		30 September	
		2010	2009
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(restated)
Profit before taxation	6	515	573
Taxation	7	(2,013)	(1,229)
Loss for the period and other comprehensive expenses for the period from continuing operations		(1,498)	(656)
Discontinued operation			
Profit and other comprehensive income for the period from discontinued operation		—	697
Total comprehensive (expenses) income for the period		(1,498)	41
Attributable to:			
Owners of the Company		(1,447)	(2,404)
Minority interests		(51)	2,445
		(1,498)	41
		HK cents	HK cents
Loss per share	8		
From continuing and discontinued operations			
Basic		(0.10)	(0.29)
Diluted		(0.10)	(0.29)
From continuing operations			
Basic		(0.10)	(0.38)
Diluted		(0.10)	(0.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

		As at 30 September 2010 <i>HK\$'000</i> (Unaudited)	As at 31 March 2010 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Plant and equipment		9,885	5,829
Intangible assets		17,813	19,813
Other non-current assets		3,024	1,832
Available-for-sale financial assets		2,695	2,200
		<u>33,417</u>	<u>29,674</u>
Current assets			
Investments held for trading		975	1,170
Trade receivables	10	307,142	351,389
Other receivables, deposits and prepayments		23,945	15,384
Investment deposits		66,619	66,619
Amount due from a minority shareholder of a subsidiary		500	500
Amounts due from directors		4,601	1,340
Bank balances and cash — trust		109,423	112,409
Bank balances and cash — general		47,960	34,052
		<u>561,165</u>	<u>582,863</u>
Assets classified as held for sale		65,152	72,575
		<u>626,317</u>	<u>655,438</u>
Current liabilities			
Bank overdrafts		—	24
Trade payables, other payables and accruals	11	221,469	146,101
Derivative component of convertible loan note		49,740	63,084
Other borrowings		77,790	172,800
Amount due to directors		63	81
Provisions		940	940
Tax payable		5,566	3,506
		<u>355,568</u>	<u>386,536</u>
Liabilities associated with assets held for sale		38,665	39,052
		<u>394,233</u>	<u>425,588</u>
Net current assets		<u>232,084</u>	<u>229,850</u>
Total assets less current liabilities		<u>265,501</u>	<u>259,524</u>

	As at 30 September 2010 <i>Notes</i> HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Capital and reserves		
Share capital	140,267	140,067
Reserves	11,040	12,598
Equity attributable to owners of the Company	151,307	152,665
Minority interests	114	165
Total equity	151,421	152,830
 Non-current liability		
Convertible loan notes	114,080	106,694
	<u>265,501</u>	<u>259,524</u>

Notes to the Consolidated Financial Statements

For the period ended 30 September 2010

1. BASIS OF PREPARATION

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

These Interim Financial Statements have not been audited, but have been reviewed by the Company’s audit committee and should be read in conjunction with the annual financial statements of the year ended 31 March 2010.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments, which are carried at fair values.

The accounting policies adopted in preparing the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2010 except as described below.

In the current interim Period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group financial year beginning on 1 April 2010.

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HK (IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HKFRSs (Amendments)	Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009

The adoption of these New Standards had no material effect on the Group’s accounting policies, results of operations or financial position.

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

3. 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 period is as follows:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from securities, futures and insurance brokerage business	43,135	32,624
Margin interest income from securities and futures brokerage business	14,663	4,901
	<u>57,798</u>	<u>37,525</u>

For management purposes, the Group is currently organised into a single as securities, futures and insurance brokerage and margin financing in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business and geographical information is presented.

On 31 January 2010, the Group completed disposal of two operating divisions which were engaged in (i) electrical engineering contracting and (ii) sale of electrical goods.

Each of these discontinued operations was reported as a separate business segment under HKAS 14. For HKFRS 8 reporting purposes, on the basis of internal reports reviewed by the chief operating decision maker, these discontinued operations did not constitute separate operating segments.

For both six months ended 30 September 2010 and 2009, the Group did not have any customers with whom transactions had exceed 10% of the Group's aggregate revenue during the period.

4. OTHER REVENUE

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Management fee income	2,258	—
Sub-letting income	1,606	—
Handling income	107	403
Interest income	1	8
Net exchange gain	684	—
Sundry income	678	1,063
	<u>5,334</u>	<u>1,474</u>

5. FINANCE COST

	Six months ended 30 September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank overdrafts	26	53
Other borrowings	4,523	593
Imputed interest expenses on convertible loan notes	7,386	5,100
	<u>11,935</u>	<u>5,746</u>

6. PROFIT BEFORE TAXATION

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation		
— owned assets	<u>788</u>	<u>801</u>
Amortisation of intangible assets	<u>2,000</u>	<u>—</u>
Total staff cost (including directors' remuneration)	<u>16,751</u>	<u>8,422</u>

7. TAXATION

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current taxation		
Hong Kong Profits tax		
— Provision for the year	<u>2,013</u>	<u>1,229</u>

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the six months ended 31 September 2010 and 2009.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary owners of the Company is based on the following data.

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of both basic and diluted earnings per share	<u>(1,447)</u>	<u>(2,404)</u>

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

	Six months ended	
	30 September	
	2010	2009
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,402,440</u>	<u>810,969</u>

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company for the year is based on the following data:

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	(1,447)	(2,404)
Less: profit for the period from discontinued operation	<u>—</u>	<u>(697)</u>
Loss for the period for the purpose of basic loss per share from continuing operations	<u>(1,447)</u>	<u>(3,101)</u>

The calculation of loss per share for the two six months ended 30 September 2010 and 2009 does not assume the conversion of the convertible loan notes since their conversion would result in a decrease in loss per share.

The calculation of loss per share for the two six months ended 30 September 2010 and 2009 does not assume the exercise of the Company's warrants since their exercise would result in a decrease in loss per share.

9. DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

10. TRADE RECEIVABLE

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

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Trade receivables from the business of dealing in securities		
— clearing house and cash clients	25,211	36,070
— margin clients	253,649	301,809
Trade receivables from the business of dealing in futures		
— clearing house and cash clients	26,227	13,581
Trade receivables from other business	2,139	65
	307,226	351,525
Less: Impairment loss recognised	(84)	(136)
	307,142	351,389

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 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 aged analysis of trade receivables (excluded margin clients), net of impairment losses, at the end of each reporting period:

	2010 HK\$'000	2009 HK\$'000
Less than 30 days	39,162	17,026
31 to 60 days	861	11,146
61 to 90 days	468	7,060
Over 90 days	10,836	14,432
	51,327	49,664

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

11. TRADE PAYABLE, OTHER PAYABLES AND ACCRUALS

	30 September 2010 <i>HK\$'000</i>	31 March 2010 <i>HK\$'000</i>
Trade payables from the business dealing in securities — margin and cash clients	73,224	93,446
Trade payables from the business dealing in future contracts	65,266	44,425
Other payables and accruals	82,979	8,230
	221,469	146,101

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. COMMITMENTS

As at 30 September 2010, the Group had no outstanding capital commitment. (31 March 2010: Nil)

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of brokerage services for securities, futures and insurance and margin financing.

Review of Operations

During the six months ended 30 September 2010, the total unaudited revenue for the Group was approximately HK\$57,798,000 (2009: approximately HK\$37,525,000) and the unaudited loss attributed to shareholders of the Company (“Shareholders”) was approximately HK\$1,447,000 (2009: loss of approximately HK\$2,404,000).

Securities broking business

The Group currently operates two wholly-owned securities companies, namely Fortune (HK) Securities Limited and Excalibur Securities Limited (the “ESL”). Revenue generated from these two securities broking businesses during the six months ended 30 September 2010 was approximately HK\$21,241,000 (2009: approximately HK\$20,077,000) which accounted for approximately 36.75% of the Group’s total revenue (2009: approximately 53.50%). Such encouraging revenue are attributable to the outstanding performance of the Group’s frontline staff.

The completion of disposal of ESL remains ongoing. The Group’s strategy is to strengthen and focus on the existing securities operation of Fortune (HK) Securities Limited and work in close collaboration with our Shenzhen representative office to explore cross border business opportunities in securities trading and placement.

Securities financing business

Reflecting the improvement in investment sentiments in the market during the six months ended 30 September 2010, interest income generated from securities margin loan portfolio was approximately HK\$14,663,000 (2009: approximately HK\$4,901,000), which accounted for approximately 25.37% of the Group’s total revenue (2009: approximately 13.06%). We have endeavored to lower our financing costs such that we could stay competitive amid increased competition from our peers.

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.

Future broking business

The income generated from the futures broking business during the six months ended 30 September 2010 was approximately HK\$20,328,000 (2009: approximately HK\$12,198,000), which accounted for approximately 35.17% of the Group's total revenue (2009: approximately 32.50%). With our strategic focus in the growing cross border integration between Hong Kong and the mainland financial markets, the management expects that the futures broking business will continue to be one of the key drivers of the Group's revenue in the coming year.

Insurance broking

The revenue from the Group's insurance broking business for the period under review recorded approximately HK\$757,000 (2009: approximately HK\$349,000), which accounted for approximately 1.31% of the Group's total revenue (2009: approximately 0.93%).

Other businesses

The income generated from other businesses operations in the areas of immigration advisory and financial communication service during the six months ended 30 September 2010 was approximately HK\$809,000, which accounted for approximately 1.40% of the Group's total revenue. The Group aim to provide our clients with diversified products and services to suit their varying needs.

The Group expect these businesses could contribute steady income with satisfactory return in the long run.

Prospects

With the strong economy growth of China in 2010 and with the trend that China will continue to open up its economy and financial markets while global investors keep their focus on China investment opportunities, the Group is convinced that it will bring immense opportunities to local financial market. The Group shift its strategic focus on China Market and we have set up its representative offices in Shenzhen and Beijing respectively to strengthen our mainland presence, deepened our network and participation to the market to capture every possible business opportunity.

The 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 is in progress. Upon completion, the Group can extend its present scope of business to cover financial and commodity futures dealings in the PRC. In addition, the Directors considered that the acquisition would enable a strategic partnership with other shareholders of New Era Futures, facilitating further collaborations in the futures market on the mainland, a move which is in the interests of the Shareholders and the Group as a whole.

[#] For identification purpose only

To cope with growing customer demand, the Group has expanded its business in wealth management by acquiring a company during the period under review to provide investment advisory and discretionary portfolio management services. This offers clients a new means to diversify their investment portfolio and capture investment opportunities via professional services. Our one-stop investment platform also assists clients who wish to migrate to Hong Kong under the Capital Investment Entrant Scheme to invest their capital in different investment assets such as equities and pre-approved investment funds based on the client's requirements and preferences.

The Group will continue to focus on exploring further opportunities to invest in financial services-related business that could maximize the returns to the Shareholders.

Capital Structure

As at 31 March 2010, the total issued shares of the Company (the "Shares") were 1,400,670,000 Shares.

On 22 April 2010, 2,000,000 new Shares were issued pursuant to the share option scheme of the Company adopted on 12 February 2003 and refreshed on 29 May 2009 (the "New Option Scheme").

As at 30 September 2010, the total issued Shares were 1,402,670,000 Shares.

Fund Raising Activities

On 6 September 2010, a supplemental agreement (the "Supplemental Agreement") was entered into between the Company and Jadehero Limited ("Jadehero") to supplement the subscription agreement (the "Subscription Agreement") dated 22 May 2009 between the Company (as issuer) and Jadehero (as subscriber). Pursuant to the Subscription Agreement, among others, an option ("Option") was granted to Jadehero to further subscribe for the zero coupon convertible bonds in a maximum principal amount of HK\$128 million ("Optional Bonds"), which may be converted into a maximum of 800 million new shares of the Company with the conversion price of HK\$0.16 per conversion share. The Option is exercisable within a period of 12 months from 7 September 2009 to 6 September 2010 ("Option Period"). Pursuant to the Supplemental Agreement, the Company conditionally agreed to extend the Option Period from 12 months to 24 months, thereupon, the Optional Bonds, in a principal sum of HK\$128 million may fall to be issued by the Company upon full exercise of the outstanding Option by Jadehero, and is convertible into a maximum of 800 million conversion shares of the Company, would expire on 6 September 2011. The Supplemental Agreement was approved by the Shareholders at extraordinary general meeting of the Company held on 25 October 2010.

Liquidity and Financial Resources and Gearing Ratio

As at 30 September 2010, the Group's total current assets and current liabilities were approximately HK\$626,317,000 (as at 31 March 2010: HK\$655,438,000) and approximately HK\$394,233,000 (as at 31 March 2010: HK\$425,588,000) respectively, while the current ratio was about 1.59 times (as at 31 March 2010: 1.54 times).

As at 30 September 2010, the Group's aggregate cash and cash equivalents amounted to approximately HK\$47,960,000 (as at 31 March 2010: HK\$34,052,000), representing approximately 7.66% (as at 31 March 2010: approximately 5.20%) of total current assets.

As at 30 September 2010, the gearing ratio, measured on the basis of total borrowing as a percentage of total Shareholders' equity, was approximately 159.68% (as at 31 March 2010: approximately 224.41%). The decrease was mainly due to repayment of loans during the six months ended 30 September 2010.

As at 30 September 2010, the debt ratio, defined as total debts over total assets, was approximately 36.62% (as at 31 March 2010: 50.01%). The decrease in the debt ratio was mainly due to repayment of loans during the six months ended 30 September 2010.

Significant Investment

The Group did not hold any significant investment during the six months ended 30 September 2010.

Material Acquisition and Disposal

On 22 May 2009, Fortune Financial (Holdings) Limited ("Fortune Financial") as purchaser, a wholly-owned subsidiary of the Company, 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") as vendor, a company established in the PRC, to acquire 49% equity interest in New Era Futures at a consideration of RMB58,830,000 (approximately HK\$66,619,000). New Era Futures is a company established in the PRC and engaged in brokerage services for dealing in financial and commodity futures contracts in the PRC. The acquisition has not been completed as at the date of this announcement.

On 16 October 2009, a conditional sale and purchase agreement was entered into among Fortune Financial, Faith Star Asia Limited ("Faith Star") and ESL 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) that equivalent to the sum plus HK\$5 million. The transaction constituted a major and connected transaction of the Company. The disposal has not been completed as at the date of this announcement.

* *for identification purpose only*

Contingent Liabilities

As at 30 September 2010, the Group does not have any material contingent liabilities. (31 March 2010: Nil)

Capital Commitments

As at 30 September 2010, the Group had no outstanding capital commitment. (31 March 2010: Nil)

Subsequent Events

On 6 September 2010, the Supplemental Agreement was entered into between the Company and Jadehero in respect of the extension of Option Period from 12 months to 24 months. Pursuant to the approval by the Shareholders at extraordinary general meeting of the Company held on 25 October 2010, the Option Period has been extended for a further 12 months and will expire on 6 September 2011.

Charges on the Group's Assets

As at 30 September 2010, the Group had not charged or pledged any of its assets. (31 March 2010: Nil)

Foreign Currency Fluctuation

During the six months ended 30 September 2010, the Group mainly use Hong Kong dollars to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

Litigation

One of the Company's subsidiary has claimed for a rental deposit in the sum of HK\$130,000 and has been 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.

Excalibur Futures Limited ("EFL"), a wholly-owned subsidiary of the Company as a defendant received a form of claim dated 2 August 2010 filed by a non-employee of EFL (the "Claimant") to the Labour Tribunal alleging for the outstanding amount of HK\$40,232.67, of which HK\$35,228.17 was for wages in lieu of notice and HK\$5,004.50 was for annual leave compensation.

On 5 November 2010, the Labour Tribunal adjudged against EFL for HK\$30,358.24, of which HK\$6,523.74 was for wages in lieu of notice, HK\$5,004.50 was for the Claimant's annual leave compensation, and the balance of HK\$18,830.00 was for the Claimant's costs and his loss of income suffered in attending hearings and in the conduct of the Labour Tribunal proceedings.

EFL maintains that the Claimant was engaged as a consultant and not an employee, as the Claimant alleges. Henceforth, EFL has duly lodged an application with the Court of First Instance of the High Court to appeal against the judgment of the Labour Tribunal. The appellate hearing is fixed on 23 December 2010.

On 26 November 2010, the Claimant and EFL amicably settled the matter fully and finally without any financial liability to each other.

Save as disclosed above, the Group did not have any material litigation as at 30 September 2010.

Employees

As at 30 September 2010, the Group had 183 employees in total. 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. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

DIRECTORS' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2010, 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 Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests in Shares and underlying shares of the Company:

Name of Director	Shares held through controlled corporations	underlying shares held through controlled corporations	Percentage of the Company's issued share capital
Wong Kam Fat, Tony ("Mr. Wong") (<i>Note 1</i>)	419,000,000	1,181,000,000 (<i>Note 2</i>)	114.07%

Notes:

1. Mr. Wong is the chairman and non-executive Director of the Company.

2. Jadehero, a company incorporated in the British Virgin Islands with limited liability, is interested in 419,000,000 Shares and 1,181,000,000 underlying shares of the Company. It is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited. Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited whereas Mr. Xia Ying Yan is the sole beneficial owner of the entire equity interest in Southlead Limited. Accordingly, Mr. Wong is deemed to be interested in these Shares. The underlying shares are Shares fall to be issued upon (i) full conversion of the convertible bonds pursuant to the Subscription Agreement and (ii) full exercise of the Optional Bonds, in a principal sum of HK\$128 million that may fall to be issued by the Company upon full exercise of the Option by Jadehero, and are convertible into a maximum of 800 million new Shares (pursuant to the Subscription Agreement and the Supplemental Agreement).

Save as disclosed above, as at 30 September 2010, 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 of 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' INTERESTS

As at 30 September 2010, 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	Number of underlying shares	Total number Share and underlying shares	Approximate percentage to the issued share capital of the Company as at 30 September 2010
Good Treasure Holdings Limited (Note 1)	Beneficial owner	83,000,000	9,000,000	92,000,000	6.56%
Li Chun Sing, Andrew (Note 1)	Interest of controlled corporation	83,000,000	9,000,000	92,000,000	6.56%
Pioneer (China) Limited (Note 2)	Beneficial owner	—	159,881,668	159,881,668	11.40%
Kademan Ltd (Note 2)	Interest of controlled corporation	—	159,881,668	159,881,668	11.40%

Name of Shareholder(s)	Capacity	Number of Shares	Number of underlying shares	Approximate percentage to the issued share capital of the Company as at 30 September 2010	
				Total number Share and underlying shares	
Chan Hoel Len (Note 2)	Interest of controlled corporation	—	159,881,668	159,881,668	11.40%
Mr. Lao Chio Kuan (Note 3)	Beneficial owner	200,000,000	—	200,000,000	14.26%
Top Good Holdings Limited (Note 4)	Beneficial owner	263,738,000	230,000,000	493,738,000	35.20%
PME Group Limited (Note 4)	Interest of controlled corporation	263,738,000	230,000,000	493,738,000	35.20%
Jadehero Limited (Note 5)	Beneficial owner	419,000,000	1,181,000,000	1,600,000,000	114.07%
Southlead Limited (Note 5)	Interest of controlled corporation	419,000,000	1,181,000,000	1,600,000,000	114.07%
Xia Ying Yan (Note 5)	Interest of controlled corporation	419,000,000	1,181,000,000	1,600,000,000	114.07%
Marvel Steed Limited (Note 5)	Interest of controlled corporation	419,000,000	1,181,000,000	1,600,000,000	114.07%
Wong Kam Fat, Tony (Note 5)	Interest of controlled corporation	419,000,000	1,181,000,000	1,600,000,000	114.07%
Earning Smart Limited (Note 6)	Beneficial owner	—	140,000,000	140,000,000	9.98%
Mai Liu Ting (Note 6)	Interest of controlled corporation	—	140,000,000	140,000,000	9.98%

Notes:

1. Good Treasure Holdings Limited (“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 83,000,000 Shares (representing approximately 5.92% of the issued share capital of the Company as at 30 September 2010), Good Treasure has also been granted a call option to acquire the entire 9,000,000 Shares (representing approximately 0.64% of the issued share capital of the Company as at 30 September 2010) 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 lost and the replacement certificates are being applied for.

In all, as at 30 September 2010, Good Treasure is deemed to be interested in an aggregate of 92,000,000 Shares (representing approximately 6.56% of the issued share capital of the Company as at 30 September 2010) under the SFO.

2. Pursuant to the agreement (the “ESL Agreement”) dated 6 March 2009 entered into between Fortune Financial as the purchaser and Pioneer (China) Limited as the vendor (“Pioneer”) in respect of the acquisition of the remaining 49% equity interest in ESL, Pioneer has guaranteed to Fortune Financial that the net profit of ESL for the year ended 31 December 2009 shall not be less than HK\$10 million (“2009 ESL Profit Guarantee”). In the event that the 2009 ESL Profit Guarantee is not met (“2009 ESL Shortfall”), Pioneer’s right to exercise the option to convert the convertible bonds issued by the Company in a principal amount of HK\$19,200,000 (“ESL CB”) into the conversion shares of the Company shall be adjusted as prescribed in the ESL Agreement (Details are set out in the Company’s announcement dated 16 March 2009 and circular dated 8 May 2009).

As a result of the 2009 ESL Shortfall of HK\$6,977,414.55, on 28 July 2010, an amount of HK\$3,418,933 in the principal amount of the ESL CB (approximately 49% of the said shortfall amount) were forfeited and extinguished accordingly.

Pioneer is wholly owned by Kademan Ltd, a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially owned by Mr. Chan Hoel Len. As such, Kademan Ltd and Mr. Chan Hoel Len are deemed to be interested in these Shares.

3. Mr. Lao Chio Kuan is the registered owner of 200,000,000 Shares (representing approximately 14.26% of the issued share capital of the Company as at 30 September 2010).
4. As at 30 September 2010, Top Good Holdings Limited, 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 18.80% of the issued share capital of the Company as at 30 September 2010) and owns (i) HK\$3,000,000 of the zero coupon convertible bonds issued by the Company in the aggregate principal amount of HK\$50,000,000 due 19 February 2012 with an initial conversion price of HK\$0.10 per conversion share and (ii) the entire zero coupon convertible bonds issued by the Company in the aggregate principal amount of HK\$32,000,000 with an initial conversion price of HK\$0.16 per conversion share due on 30 June 2012.
5. Mr. Wong is the chairman and non-executive Director of the Company.

Jadehero, a company incorporated in the British Virgin Islands with limited liability, is interested in 419,000,000 Shares and 1,181,000,000 underlying shares of the Company. It is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited. Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited whereas Mr. Xia Ying Yan is the sole beneficial owner of the entire equity interest in Southlead Limited. Accordingly, Mr. Wong and Mr. Xia Ying Yan are deemed to be interested in these Shares. The underlying shares are Shares fall to be issued upon (i) full conversion of the convertible bonds pursuant to the Subscription Agreement and (ii) full exercise of the Optional Bonds, in a principal sum of HK\$128 million that may fall to be issued by the Company upon full exercise of the Option by Jadehero, and are convertible into a maximum of 800 million new Shares (pursuant to the Subscription Agreement and the Supplemental Agreement).

6. Earning Smart Limited, a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially owned by Ms. Mai Liu Ting. Ms. Mai Liu Ting is therefore deemed to be interested in these Shares.

Save as disclosed herein and to the knowledge of the Directors, as at 30 September 2010, no person had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or no person was, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

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 2010.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, namely, Mr. Ng Kay Kwok (chairman of the Audit Committee), 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 and interim report of the Group for the six months ended 30 September 2010.

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 2010.

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 2010.

PUBLICATION OF INTERIM 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 2010 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, 26 November 2010

As at the date of this announcement, the Board consists of three Executive Directors, namely Mr. Ng Cheuk Fan, Keith (Managing Director), Mr. Yeung Kwok Leung and Mr. Hon Chun Yu; 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.