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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 2011

The Board of Directors (the "Board") of China Fortune Group Limited (the "**Company**") announces that the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2011 together with the comparative figures for the previous year are as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000*
Continuing operations			
Turnover	*2*	**110,666**	80,488
Cost of securities and futures brokerage and margin financing		**(22,165)**	(23,276)
Other revenue	*4*	**7,288**	13,176
Depreciation and amortisation		**(7,041)**	(3,023)
Salaries and allowances		**(39,978)**	(26,926)
Reversal of impairment loss on investment deposits		**–**	3,500
Change in fair value of financial assets designated as fair value through profit or loss		**(144)**	–
Gain (loss) on disposal of investment held		**2,062**	(1,002)
Change in fair value of derivative component of convertible loan notes	*5*	**2,863**	(18,525)
Change in fair value of guaranteed exchangeable notes		**(3,369)**	–
Discounts on acquisition of additional equity interest in a subsidiary		**–**	4,616
Gain on disposal of a subsidiary		**5,000**	–

	NOTES	2011 HK$'000	2010 HK$'000
Impairment loss	6	**(33,008)**	–
Other operating and administrative expenses		**(63,489)**	(37,238)
Finance costs	7	**(22,341)**	(15,454)
Loss before taxation	8	**(63,656)**	(23,664)
Taxation	9	**(1,859)**	(4,491)
Loss for the year		**(65,515)**	(28,155)
Discontinued operation			
Profit for the year		**–**	6,732
		(65,515)	(21,423)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**9**	–
Total comprehensive expenses for the year		**(65,506)**	(21,423)
Loss for the year attributable to:			
Owners of the Company		**(65,370)**	(23,711)
Non-controlling interests		**(145)**	2,288
		(65,515)	(21,423)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(65,361)**	(23,711)
Non-controlling interests		**(145)**	2,288
		(65,506)	(21,423)
Loss per share	11		
From continuing and discontinued operations			
Basic		**(3.53)**	(2.24)
Diluted		**(3.53)**	(2.24)
From continuing operations			
Basic		**(3.53)**	(2.88)
Diluted		**(3.53)**	(2.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Plant and equipment		**9,258**	5,829
Intangible assets		**2,741**	19,813
Other non-current assets		**2,632**	1,832
Goodwill		**–**	–
Available-for-sale financial assets		**1,948**	2,200
		16,579	29,674
Current assets			
Investments held for trading		**37,079**	1,170
Trade receivables	*12*	**331,887**	351,389
Loan receivable		**150,542**	–
Amount due from an investee company		**5,004**	–
Other receivables, deposits and prepayments		**26,782**	15,384
Convertible instruments designated as financial assets at fair value through profit or loss		**2,106**	–
Investment deposits	*13*	**66,619**	66,619
Amount due from a non-controlling shareholder of a subsidiary		**625**	500
Amounts due from directors		**–**	1,340
Bank balances and cash – trust		**112,652**	112,409
Bank balances and cash – general		**44,747**	34,052
		778,043	582,863
Assets classified as held for sale		**–**	72,575
		778,043	655,438
Current liabilities			
Bank overdrafts – secured		**–**	24
Trade payables, other payables and accruals	*14*	**151,627**	146,101
Other borrowings		**99,000**	172,800
Derivative component of convertible loan notes		**60,221**	63,084
Amounts due to directors		**–**	81
Guaranteed exchangeable notes		**81,169**	–
Convertible loan notes		**9,488**	–
Provision		**940**	940
Tax payable		**2,681**	3,506
		405,126	386,536
Liabilities associated with assets held for sale		**–**	39,052
		405,126	425,588
Net current assets		**372,917**	229,850
Total assets less current liabilities		**389,496**	259,524
Capital and reserves			
Share capital		**251,202**	140,067
Reserves		**61,406**	12,598
Equity attributable to owners of the Company		**312,608**	152,665
Non-controlling interests		**145**	165
Total equity		**312,753**	152,830
Non-current liability			
Convertible loan notes		**76,743**	106,694
		389,496	259,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1. BASIS OF PREPARATION AND ACCOUNTING POLICES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountant. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

Application of new and revised standards, amendments and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standards ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interest in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised) and HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results, of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New or revised standards, amendments or interpretations not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of Interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (2011)	Separate Financial Statements[6]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[6]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 July 2011.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured either at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 titled Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (Revised) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)– Int 19 will affect the required accounting. In particular, under HK(IFRIC)– Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revise 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:

	2011	2010
	HK$'000	*HK$'000*
Consultancy and subscription service income	**2,810**	–
Income from securities, futures and insurance brokerage business	**68,043**	63,804
Margin interest income from securities brokerage business	**32,289**	16,684
Net gain on trading of listed securities	**7,524**	–
	110,666	80,488

3. SEGMENT INFORMATION

The Group's operating segment, based on information reported to the chief operating decision maker, the board of directors, for the purpose of resources allocation and performance assessment are as follows:

1) The broking and margin financing segment engages in securities, futures and insurance brokerage and margin financing in Hong Kong.

2) The trading and investment segment engages in investment holding and proprietary trading of securities.

3) Others

Although trading and investment does not meet the quantitative threshold required by HKFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the board of directors as a segment with potential growth and is expected to significantly contribute to group revenue in future.

Other operation includes consultancy service income only. None of this segment meets any of the quantitative thresholds for determining reportable segments in 2010.

Information regarding the above segments is reported below.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

For the year ended 31 March 2011

	Broking and margin financing *HK$'000*	Trading and investment *HK$'000*	Others *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue					
External revenue	100,332	7,524	2,810	–	110,666
Inter-segment revenue *(note)*	–	–	636	(636)	–
	100,332	7,524	3,446	(636)	110,666
Segment profit (loss)	14,986	6,061	(472)	–	20,575
Unallocated operating income					8,029
Unallocated operating expense					(74,269)
Change in fair value of financial assets designated as fair value through profit or loss					(144)
Change in fair value of guaranteed exchangeable notes					(3,369)
Change in fair value of derivative component of convertible loan note					2,863
Gain on disposal of a subsidiary					5,000
Finance costs					(22,341)
Loss before taxation					(63,656)

Note: Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) attributable to each segment without allocation of administration expenses, change in fair value of financial assets designated as fair value through profit or loss, change in fair value of derivative component of convertible loan notes, gain on disposal of a subsidiary, finance costs, interest income and taxation. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

No segment information is presented for the year ended 31 March 2010 as the Group only operate in the broking and margin financing segment and all revenue, expenses, results, assets and liabilities and capital expenditures are predominately attributable to this single operating segment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	At 31 March 2011
Segment assets	*HK$'000*
Continuing operations	
Broking and margin financing	451,303
Trading and investment	39,712
Others	144
Total segment assets	491,159
Unallocated	303,463
Consolidated total assets	794,622
Segment liabilities	
Broking and margin financing	201,063
Trading and investment	345
Others	206
Total segment liabilities	201,614
Unallocated	280,255
Consolidated total liabilities	481,869

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale financial assets, amount due from an investee company, other receivables, deposits and prepayments, convertible instruments designated at financial assets at fair value through profit or loss, investment deposits and bank balances and cash – general; and

- all liabilities are allocated to reportable segments other than other payables and accruals, other borrowings, derivative component of convertible loan notes, guaranteed exchangeable notes, provisions and tax payable.

	Broking and margin financing	Trading and investments	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2011					
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets	644	5	–	5,807	6,456
Depreciation and amortisation	1,374	5	573	5,089	7,041
Impairment loss on					
– Available-for-sales financial assets	–	–	–	1,254	1,254
– Intangible assets	–	–	–	15,333	15,333
– Trade receivables	16,421	–	–	–	16,421
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	(3)	–	–	(561)	(564)
Change in fair value of financial assets designated as fair value through profit or loss	–	–	–	144	144
Change in fair value of guaranteed exchangeable notes	–	–	–	3,369	3,369
Change in fair value of derivative component of convertible loan notes	–	–	–	(2,863)	(2,863)
Gain on disposal of a subsidiary	–	–	–	(5,000)	(5,000)
Finance cost	5,972	–	–	16,369	22,341

For both years ended 31 March 2011 and 2010, the Group did not have any customer contributed more than 10% of the Group's aggregate revenue.

4. OTHER REVENUE

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Management fees income	**1,868**	6,061
Profit guarantee compensation *(note)*	**1,000**	3,087
Handling charges	**203**	498
Interest income on financial institutions	**22**	4
Interest income from loan receivable	**542**	–
Write back of long outstanding trade payables, other payables and accruals	**409**	247
Net exchange gain	**639**	–
Gain on fair value changes of investments held for trading	**–**	728
Reversal of impairment loss on recognised in respect of trade receivables *(Note 12)*	**62**	459
Sub-letting income from rental premises	**1,702**	2,004
Sundry income	**841**	88
	7,288	13,176

Note:

The profit guarantee compensation for the year represented the settlement consideration received from the former owners of Excalibur Securities Limited ("ESL") pursuant to a deed of settlement dated 16 October 2009 which entitle the Group to receive HK$1,000,000 from former owners of ESL upon the completion of the disposal of ESL in order to waive the profit guarantee of ESL as set out in the sales and purchase agreement. The details are set out in the circular of the Company dated 22 December 2009.

The profit guarantee compensation for the year ended 31 March 2010 represented the excess profit guarantee for the year ended 31 December 2009 after the adjustment to the consideration for acquisition of ESL.

5. CHANGE IN FAIR VALUE OF DERIVATIVE COMPONENT OF CONVERTIBLE LOAN NOTES

The amount represents the change in fair value of a subscription option entitled to the holder of a convertible loan note to subscribe for additional convertible loan note. The fair value of the option was estimated by an independent valuer on the date of issuance and the end of the reporting period using an option pricing model.

6. IMPAIRMENT LOSS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Impairment loss on:		
Available-for-sales financial assets	**1,254**	–
Intangible assets	**15,333**	–
Trade receivables *(Note 12)*	**16,421**	–
	33,008	–

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest on:		
Bank overdrafts	**27**	75
Other borrowings	**8,805**	3,287
Imputed interest expenses on convertible loan notes	**13,509**	12,092
	22,341	15,454

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Auditor's remuneration		
– current year	**720**	638
– under-provision in prior years	**–**	25
	720	663
Depreciation of plant and equipment	**3,041**	2,366
Amortisation of intangible assets	**4,000**	667
Total staff costs:		
– directors' remuneration	**3,743**	3,316
– salaries and allowance	**34,834**	22,765
– retirement benefit scheme contributions (excluding directors)	**1,401**	845
	39,978	26,926
Operating lease in respect of rented premises	**15,036**	12,981
Write off of investment deposits	**–**	100

9. TAXATION

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Current taxation		
Hong Kong Profits Tax		
– Provision for the year	**1,407**	4,491
– Under-provision for prior year	**452**	–
	1,859	4,491

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 March 2011.

10. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the two years ended 31 March 2011 and 2010.

11. 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:

	2011	2010
	HK$'000	*HK$'000*
Loss for the purpose of both basic and diluted earnings per share	**(65,370)**	(23,711)

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

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of computation of basic and diluted loss per share	**1,849,914**	1,056,231

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:

	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(65,370)**	(23,711)
Less: profit for the period from discontinued operation	**–**	(6,732)
Loss for the year for the purpose of computation of basic loss per share from continuing operations	**(65,370)**	(30,443)

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operation

Basic profit per share for the discontinued operation was HK0.64 cents per share for the year ended 31 March 2010, based on the profit for the year from the discontinued operation attributable to the owners of the Company of approximately HK$6,732,000 and the denominators detailed above for basic loss per share.

Calculation of diluted earnings per share

The calculation of diluted loss per share for the year ended 31 March 2011 and 2010 does 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.

The calculation of loss per share for the two years ended 31 March 2011 and 2010 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 year ended 31 March 2011 and 2010 does not assume the exercise of the Company's warrants since their exercise would result in a decrease in loss per share.

12. TRADE RECEIVABLES

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

	2011	2010
	HK$'000	*HK$'000*
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	**14,643**	36,070
– margin clients	**301,469**	301,809
Trade receivables from the business of dealing in futures		
– clearing houses and cash clients	**32,138**	13,581
Trade receivables from other businesses	**132**	65
	348,382	351,525
Less: Impairment loss recognised	**(16,495)**	(136)
	331,887	351,389

As at 31 March 2011, the Group had trade receivables balance of approximately HK$13,187,000 (2010: HK$131,000) which 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.

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:

	2011	2010
	HK$'000	*HK$'000*
Less than 30 days	**28,595**	17,026
31 to 60 days	**1,499**	11,146
61 to 90 days	**715**	7,060
Over 90 days	**9,581**	14,432
	40,390	49,664

Trade receivables to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$1,127,563,000 (2010: HK$3,003,584,000) which can be sold at the Group's direction to settle any margin call requirements imposed by their respective securities transactions. The trade receivables from cash and margin customers are repayable on demand and bear interest at commercial rates. As at 31 March 2011, included in the total trade receivables, approximately HK$299,699,000 (2010: HK$337,808,000) were interest bearing whereas approximately HK$32,188,000 (2010: HK$13,581,000) were non-interest bearing.

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.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$14,989,000 (2010: HK$36,851,000) which were past due as at the reporting date for which the Group has not provided for impairment loss.

At 31 March 2011 and 2010, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	2011	2010
	HK$'000	*HK$'000*
Less than 30 days	**3,194**	4,238
31 to 90 days	**2,214**	18,181
Over 90 days	**9,581**	14,432
	14,989	36,851

Trade receivables that were past due but not impaired relate to a number of independent customers that either have a good track record for repayment with the Group or fully settled the outstanding balances subsequently. 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. The Group holds the pledged securities at fair values of approximately HK$224,390,000 over these balances (2010: HK$312,303,000).

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

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**136**	1,598
Reclassified as assets held for sale	**–**	(858)
Disposal of subsidiaries	**–**	(145)
Reversal of impairment loss recognised *(Note 4)*	**(62)**	(459)
Recognised impairment loss during the year *(Note 6)*	**16,421**	–
Balance at end of the year	**16,495**	136

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$16,495,000 (2010: HK$136,000) were individually impaired trade debtors who were in financial difficulties. The Group doesn't hold any collateral over these balances.

13. INVESTMENT DEPOSITS

	2011	2010
	HK$'000	*HK$'000*
Deposit for formation of a joint venture *(Note b)*	**–**	5,000
Deposit paid for acquisition of an associate in the PRC engaged in brokerage services for dealing in financial and commodity futures *(Note c)*	**66,619**	66,619
	66,619	71,619
Less: Impairment losses	**–**	(5,000)
	66,619	66,619

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. As the amount has not yet been received up to the report 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 and was written off during the year as the directors of the Company considered it is impossible to recover the deposit.

(c) On 9 December 2008, Fortune Financial (Holdings) Limited ("Fortune Financial"), a wholly–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 Co., Ltd ("New Era") (新紀元期貨有限公司) at consideration of RMB1,500,000 (equivalent to approximately HK$1,690,000) for every 1% equity interest of New Era. The total aggregate consideration would range 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 approximately HK$3,400,000) as deposit on 9 December 2008.

On 4 March 2009, Fortune Financial entered into second non-legally binding memorandum with Shenzhen Huade to increase its targeted acquisition percentage in New Era's equity interest to not less than 40%. Correspondingly, the minimum total aggregated consideration would increase to RMB60,000,000. The Group had paid an additional deposit of RMB30,040,000 (equivalent to approximately HK$33,907,000) on 5 March 2009.

On 22 May 2009, Fortune Financial entered into the share transfer agreement with Shenzhen Huade to acquire 49% equity interest in New Era at a consideration of RMB58,830,000 and the Group had paid a further deposit of RMB5,000,000 (equivalent to approximately HK$5,687,000) on 22 May 2009.

On 2 February 2010, Fortune Financial entered into a supplementary agreement with Shenzhen Huade in which both parties agreed to extend the long stop date to 31 December 2010 and Fortune Financial agreed to pay the remaining consideration of RMB20,790,000 (equivalent to approximately HK$23,625,000) as deposit within five business days after signing the supplementary agreement. The Group had paid the deposit on 2 February 2010.

On 31 December 2010, Fortune Financial entered into a supplementary agreement with Shenzhen Huade in which both parties agreed to extend the long stop date to 30 June 2011.

On 26 June 2011, Fortune Financial entered into an agreement ("Termination Agreement"), to terminate the acquisition of 49% equity interest in New Era. Further details are set out in "POST BALANCE SHEET EVENTS".

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2011 *HK$'000*	2010 *HK$'000*
Trade payables from the business of dealing in securities:		
– margin and cash clients	**70,530**	93,446
Trade payables from the business of dealing in future contracts	**62,826**	44,425
Other payables and accruals	**18,271**	8,230
	151,627	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 margin financing.

15. COMMITMENTS

At the end of each reporting periods, the Group had following commitments in respect of:

(a) Capital commitments

	2011 *HK$'000*	2010 *HK$'000*
Contracted but not provided for		
– acquisition of plant and equipment	**1,000**	–

(b) 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 three months to three 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 end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 *HK$'000*	2010 *HK$'000*
Within one year	**11,190**	5,006
In the second to fifth years, inclusive	**15,521**	467
	26,711	5,473

FINAL DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the year ended 31 March 2011, the total revenue for the Group was approximately HK$110,666,000 (2010: approximately HK$80,488,000) and loss attributed to the shareholders of the Company (the "**Shareholders**") was approximately HK$65,370,000 (2010: loss approximately HK$23,711,000). The loss was mainly attributable to the impairment in Group's receivable and intangible asset and imputed interest expenses on convertible loan notes.

During the period under review, the Group has completed the acquisition of a subsidiary, namely Fortune Asset Management Limited (formerly known as Treasure Palladium Asset Management Limited) on 9 September 2010. Following the acquisition, we could provide a more comprehensive range of services to our customers covering agency broking, securities financing and asset management.

REVIEW OF OPERATIONS

Securities broking business

For the year under review, the Group operates two wholly-owned securities companies, Fortune (HK) Securities Limited ("**F(HK)S**") and Excalibur Securities Limited ("**ESL**"). Revenue generated from these two securities broking business recorded approximately HK$31,457,000 (2010: approximately HK$37,854,000), accounting for approximately 28.43% of the Group's total revenue (2010: approximately 47.03%). The decrease was due to the disposal of ESL on 20 January 2011.

The Group's strategy is to strengthen and focus on the existing securities operation of F(HK)S and work in close collaboration with our Shenzhen representative office to explore cross border business opportunities in securities trading and placement.

Securities financing business

During the year under review, interest income generated from securities margin loan portfolio was approximately HK$32,289,000 (2010: approximately HK$16,684,000), which accounted for approximately 29.18% of the Group's total revenue (2010: approximately 20.73%). The result was due to the strong market sentiment increased the demand for margin and IPO financing.

To leverage this growth opportunity, the Group has injected more resources into the securities financing business and deepened our coverage of the customers' needs for financing.

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

Futures broking business

The income generated from the futures broking business during the year under review recorded approximately HK$35,356,000 (2010: approximately HK$25,536,000) accounting for approximately 31.95% of the Group's total revenue (2010: approximately 31.37%).

Insurance broking

The revenue from the Group's insurance broking business for the period under review recorded approximately HK$1,230,000 (2010: approximately HK$557,000), which accounted for approximately 1.11% of the Group's total revenue (2010: approximately 0.69%).

Other businesses

The income generated from other businesses operations in the areas of immigration advisory, financial communication service and trading of listed securities during the year was approximately HK$10,334,000 (2010: approximately HK$299,000), which accounted for approximately 9.33% (2010: approximately 0.37%) 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

The corporate strategy of the Company is to strengthen its existing financial services business. Since 2011, the Chinese economy maintained its strong growth. According to earlier projections by the World Bank and the United Nations, China's Gross Domestic Product (GDP) will increase by 9.3% to 9.5% in 2011. While Europe and North American markets are still recovering from the financial turmoil, China has been actively developing its capital market by introducing new investment products such as dealings in futures index and the inauguration of the growth enterprise market, as well as the implementation of various market optimization measures such as the share segregation reform in order to strengthen its appeal to international investors.

The Chinese market has always been the Group's strategic focus since our inauguration. The Group has established business arms to implement this particular focus, followed up the opening of representative offices in Shenzhen and Beijing to ensure effective communication and presence in the mainland financial market. To cope with customer demand, the Group has expanded its business in asset management through acquisition during the period under review. The target asset management company acquired is principally engaged in providing fund management and discretionary portfolio management services. They enable clients to capture investment opportunities via the provision of 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 products such as equities and pre-approved investment funds based on the client's requirements and preferences.

In addition, the Group is investigating the potential of the micro credit market which has recently showed a rising demand in the Mainland. According to the survey《2010年小額貸款公司數據統計報告》issued by the People's Bank of China in March 2011, the outstanding micro loan in the Mainland amounted to RMB197.5 billion as of the end of 2010. This amount has doubled that of May 2008 when the People's Bank of China and the China Banking Regulatory Commission issued《關於小額信貸公司試點的指導意見》, a directive concerning test points for micro credit operators. Tapping this huge potential market will allow the Group to capture a pool of potential customers and broaden the revenue base of the overall financial business.

As a result of continuous growth, the Group's existing office can no longer satisfy the needs for business development. The Group is planning to move its headquarters in Hong Kong to Wanchai in July. The Board also intends to take this opportunity to update our corporate image and development blueprint to our customers, partners and the media to reinforce our market position. Looking ahead, the Group will observe its long-term strategic direction and develop the existing brokerage and margin financing businesses. The Group will also continue to seek business development opportunities through internal expansion and merger and acquisitions to 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.

During the year under review, 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 "**Share Option Scheme**").

Pursuant to the placing agreement dated 27 February 2008 entered into between the Company as the issuer and Kingston Securities Limited as the placing agent in respect of a conditional placing of the zero coupon convertible notes in the aggregate principal amount of HK$50,000,000 due on the third anniversary of the date of issue, that is, 19 February 2012, at a conversion price of HK$0.1 per conversion share. During the year ended 31 March 2011, convertible notes with an aggregate principal amount of HK$16,000,000 were converted into 160,000,000 Shares under this agreement.

Pursuant to the conditional agreement dated 6 March 2009 entered into between Fortune Financial (Holdings) Limited ("**Fortune Financial**") as the purchaser, a wholly-owned subsidiary of the Company and Pioneer (China) Limited ("**Pioneer**") as the vendor in respect of the acquisition of the remaining 49% equity interest in ESL at a consideration HK$19,200,000. The consideration had been settled by issuing zero coupon convertible bonds of the Company in a principal amount of HK$19,200,000 due on the third anniversary of the date of issue, that is 24 August 2012 with conversion price of HK$0.16 per conversion share ("**ESL CB**"). During the year ended 31 March 2011, ESL CB in the aggregate principal amount of HK$9,901,067 were converted into 61,881,668 Shares.

Pursuant to the conditional agreement dated 6 March 2009 entered into between Fortune Financial as the purchaser and Pioneer as the vendor in respect of acquisition of 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 bonds of the Company in a principal amount of HK$9,800,000 due on the third anniversary of the date of issue, that is 24 August 2012 with conversion price of HK$0.16 per conversion share ("**EFL CB**"). During the year ended 31 March 2011, EFL CB in the aggregate principal amount of HK$7,350,000 were converted into 45,937,500 Shares.

Pursuant to the subscription agreement dated 22 May 2009 (the "**Subscription Agreement**") entered into between the Company as issuer and Jadehero Limited ("**Jadehero**") as the subscriber in respect of a conditional issuance of the zero coupon convertibles bonds by the Company to Jadehero in the principal amount of HK$128 million due on 31 December 2012 at an exercise price of HK$0.16 per conversion share. During the year ended 31 March 2011, convertible bonds with an aggregate principal amount of HK$9,760,000 were converted into 61,000,000 Shares.

On 6 December 2010, the Company as the issuer entered into a subscription agreement ("**Subscription Agreement_1**") with Mankind Investment Limited ("**MIL**") as the subscriber pursuant to which the Company has conditionally agreed to issue and MIL has conditionally agreed to subscribe for 500,000,000 Shares at a subscription price of HK$0.20 per subscription share. Following the approval by the Shareholders at the extraordinary general meeting of the Company held on 17 January 2011, the Company had issued 500,000,000 Shares to MIL on 2 February 2011.

On 8 December 2010, the Company as the issuer entered into a placing agreement (the "**Placing Agreement**") with VC Brokerage Limited as the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 280,534,000 placing shares at a placing price of HK$0.328 per placing share. The placing of 280,534,000 placing shares was completed on 31 January 2011.

As at 31 March 2011, the total issued Shares were 2,512,023,168 Shares.

CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes other borrowings, guaranteed exchangeable notes and convertible loan notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two years ended 31 March 2011 and 2010.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are licensed with Securities and Futures Commission ("SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, these Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3,000,000 or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis.

Another subsidiary of the Group is a member of the Professional Insurance Brokers Association Limited and is required to maintain a minimum net asset value of HK$100,000 at all times.

The directors of the Company monitor the capital structure of the Group and ensure compliance with the above capital requirements.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

The Group financed its operations with shareholders' equity. Cash generated from operation, structured debt instrument and other borrowings.

As at 31 March 2011, the Group's total current assets and current liabilities were approximately HK$778,043,000 (as at 31 March 2010: approximately HK$655,438,000) and approximately HK$405,126,000 (as at 31 March 2010: approximately HK$425,588,000) respectively, while the current ratio was about 1.92 times (as at 31 March 2010: about 1.54 times).

As at 31 March 2011, the Group's aggregate cash balance amounted to approximately HK$44,747,000 (as at 31 March 2010: approximately HK$34,052,000), representing approximately 5.75% (as at 31 March 2010: approximately 5.20%) of total current assets.

The Group had total other borrowings and guarantee exchangeable notes of HK$99,000,000 and approximately HK$81,169,000 as at 31 March 2011, respectively (2010: HK$172,800,000 and HK$Nil, respectively) which are primarily at fixed rates. Currently all the Group's borrowings are denominated in Hong Kong Dollars except the guaranteed exchangeable notes are denominated in United States ("**U.S.**") Dollars. Since almost all revenue of the Group is in Hong Kong Dollars and Hong Kong Dollars is pegged to U.S. Dollars, there is no need to hedge its liabilities which are also substantially denominated in Hong Kong Dollars and U.S. Dollars.

The gearing ratio as at 31 March 2011, measured on the basis of total borrowing as a percentage of total Shareholders' equity, was approximately 104.48% (as at 31 March 2010: approximately 224.41%). The decrease was mainly due to increase of the share capital by subscription and placing.

As at 31 March 2011, the debt ratio, defined as total debts over total assets, was approximately 60.64% (as at 31 March 2010: approximately 77.69%). The decrease in the ratio was mainly due to decrease in convertible loan notes liabilities.

FUND RAISING ACTIVITIES

On 6 September 2010, a supplemental agreement (the "**Supplemental Agreement**") was entered into between the Company and Jadehero to supplement the Subscription Agreement. 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$128,000,000 ("**Optional Bonds**"), convertible up to a maximum of 800,000,000 new shares of the Company with a conversion price of HK$0.16 per conversion share. The Option was 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$128,000,000 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. No option had been exercised during the year under review.

Pursuant to the Subscription Agreement_1 dated 6 December 2010, the Company has conditionally agreed to issue and MIL has conditionally agreed to subscribe for 500,000,000 Shares at a subscription price of HK$0.20 per subscription share. Following the approval by the Shareholders at the extraordinary general meeting of the Company held on 17 January 2011, the Company had issued 500,000,000 Shares to MIL on 2 February 2011 and the net proceeds of approximately HK$100,000,000 was raised from the subscription.

Pursuant to the Placing Agreement dated 8 December 2010, the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 280,534,000 placing shares at a placing price of HK$0.328 per placing share. The placing of 280,534,000 placing shares was completed on 31 January 2011 and the net proceeds of approximately HK$90,000,000 was raised from the placing.

MATERIAL ACQUISITION AND DISPOSAL

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 disposal was completed on 20 January 2011.

SIGNIFICANT INVESTMENT

As at 31 March 2011, the Group held financial asset at fair value through profit or loss amounted to approximately HK$37,079,000 (2010: approximately HK$1,170,000) and available-for-sale financial assets amounted to approximately HK$1,948,000 (2010: approximately HK$2,200,000).

POST BALANCE SHEET EVENTS

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[#]), a company established in the PRC, to acquire 49% equity interest in 新紀元期貨有限公司 (New Era Futures Co Limited[#]) ("**New Era Futures**") at a consideration of RMB58,830,000 (equivalent to approximately HK$66,850,000). 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 was terminated on 26 June 2011. Details of the termination were set out in the Company announcement dated 26 June 2011.

On 12 May 2011, a placing agreement (the "**Placing Agreement_1**") was entered into between the Company as the issuer and F(HK)S as the placing agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best-effort basis, all of the 150,000,000 placing shares at the placing price of HK$0.33 per placing share subject to the terms and conditions of the Placing Agreement_1. The Placing Agreement_1 was approved by the Shareholders at an extraordinary general meeting of the Company held on 15 June 2011.

CONTINGENT LIABILITIES

As at 31 March 2011, the Group did not have any material contingent liabilities (2010: HK$Nil).

CHARGE ON THE GROUP'S ASSET

As at 31 March 2011, the Group had not charged or pledged any of its assets (2010: HK$Nil).

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 ended 31 March 2011, the Group mainly uses Hong Kong dollars to carry out its business transactions. The Board considers that the foreign currency exposure is insignificant.

[#] *for identical purpose only*

HUMAN RESOURCES

At as 31 March 2011, the Group had 113 employees (2010 : 105). 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 the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

LITIGATION

One of the subsidiary of the Company 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 case has yet to conclude.

EFL, a wholly-owned subsidiary of the Company, was sued by a non-employee (the "**Claimant**") in the Labour Tribunal for, *inter alia*, wages in lieu of notice and cash compensation for untaken annual leave entitlements. On 26 November 2010, the Claimant and EFL amicably and finally settled the matter without any financial liability to EFL.

On 10 March 2011, an injunction order was granted by the Court of First Instance of the High Court of the Hong Kong in favour of Sun Finance Company Limited against Queensbury Global Limited (as the 1st Defendant) ("**Queensbury**") and the Company (as the 2nd Defendant) (collectively, the "**Order**"). The Order prohibited, *inter alia*, the disposal of, dealing with or diminishment of shares of a listed company in Hong Kong held by Queensbury in its account held with F(HK)S, a subsidiary of the Company. According to legal opinion rendered to the Company, the Company was named, probably, as nominal defendant. The Company swiftly entered into negotiations with the Plaintiff and Queensbury and an amicable settlement arrangement been was eventually reached on 11 March 2011 such that the Order was lifted and the underlying action was discontinued against the Company. The operation and financial position of the Company has not, and had not, been affected by the Order at all. Save as disclosed above, there was no outstanding litigation or legal proceedings which ought to be disclosed.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 March 2011.

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 but not limited to, the review of audited consolidated financial statements of the Group for the year ended 31 March 2011.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.290.com.hk. The annual report for the year ended 31 March 2011 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 June 2011

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