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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 290)

Website: <http://www.290.com.hk>

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

The board (the “Board”) of directors (the “Directors”) of China Fortune Financial Group Limited (the “Company”) (formerly known as China Fortune Group Limited) announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2012 together with the comparative figures for the previous year are as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000 (Restated)
Continuing operations			
Turnover	2	47,354	75,311
Cost of securities brokerage and margin financing		(4,070)	(10,033)
Other revenue	4	20,119	3,592
Depreciation		(4,737)	(2,281)
Salaries and allowances		(41,257)	(28,137)
Change in fair value of financial assets designated as fair value through profit or loss		(289)	(144)
Gain on disposal of investments held for trading		–	742
Change in fair value of derivative component of convertible loan notes	5	52,400	2,863
Gain on early redemption of guaranteed exchangeable notes		8,836	–
Change in fair value of guaranteed exchangeable notes		(5,467)	(3,369)
(Loss) gain on disposal of subsidiaries		(1,054)	5,000
Impairment losses	6	(70,770)	(11,239)
Other operating and administrative expenses		(50,725)	(41,922)

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000 (Restated)
Share of profits of jointly-controlled entities		157	—
Finance costs	7	<u>(14,506)</u>	<u>(22,341)</u>
Loss before tax	8	(64,009)	(31,958)
Income tax expense	9	<u>(452)</u>	<u>(939)</u>
Loss for the year from continuing operations		(64,461)	(32,897)
Discontinued operations			
Loss for the year from discontinued operations	12	<u>(5,701)</u>	<u>(32,618)</u>
Loss for the year		(70,162)	(65,515)
Other comprehensive income			
Share of other comprehensive income of jointly-controlled entities		4	—
Exchange differences arising on translation of foreign operations		<u>19</u>	<u>9</u>
Other comprehensive income for the year		<u>23</u>	<u>9</u>
Total comprehensive expenses for the year		<u>(70,139)</u>	<u>(65,506)</u>
Loss for the year attributable to:			
Owners of the Company		(69,602)	(65,370)
Non-controlling interests		<u>(560)</u>	<u>(145)</u>
		<u>(70,162)</u>	<u>(65,515)</u>
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(69,579)	(65,361)
Non-controlling interests		<u>(560)</u>	<u>(145)</u>
		<u>(70,139)</u>	<u>(65,506)</u>
Loss per share	11	HK cents	HK cents
From continuing and discontinued operations			
Basic		<u>(2.29)</u>	<u>(3.53)</u>
Diluted		<u>(3.19)</u>	<u>(3.53)</u>
From continuing operations			
Basic		<u>(2.10)</u>	<u>(1.77)</u>
Diluted		<u>(3.04)</u>	<u>(1.77)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Plant and equipment		11,588	9,258
Intangible assets		–	2,741
Club membership debentures		6,610	–
Other non-current assets		275	2,632
Goodwill		3,994	–
Available-for-sale financial assets		1,448	1,948
Interest in jointly-controlled entities		8,238	–
Deposits		3,345	–
		<u>35,498</u>	<u>16,579</u>
Current assets			
Investments held for trading		14,915	37,079
Trade receivables	13	210,405	331,887
Loan receivables	14	55,270	150,542
Amounts due from jointly-controlled entities		32,308	–
Amount due from an investee company		–	5,004
Other receivables, deposits and prepayments		3,221	26,782
Convertible instruments designated as financial assets			
at fair value through profit or loss		60,317	2,106
Derivative component of convertible loan notes		4,924	–
Investment deposits		–	66,619
Amount due from a non-controlling shareholder			
of a subsidiary		125	625
Bank balances and cash – trust		38,233	112,652
Bank balances and cash – general		69,251	44,747
		<u>488,969</u>	<u>778,043</u>
Assets classified as held for sale		<u>108,512</u>	<u>–</u>
		<u>597,481</u>	<u>778,043</u>

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
Current liabilities			
Trade payables, other payables and accruals	15	43,467	151,627
Bank and other borrowings		54,328	99,000
Derivative component of convertible loan notes		7,359	60,221
Guaranteed exchangeable notes		–	81,169
Convertible loan notes		31,424	9,488
Provision		–	940
Tax payable		757	2,681
		137,335	405,126
Liabilities associated with assets held for sale		94,976	–
		232,311	405,126
Net current assets		365,170	372,917
Total assets less current liabilities		400,668	389,496
Capital and reserves			
Share capital		316,609	251,202
Reserves		43,293	61,406
Equity attributable to the owners of the Company		359,902	312,608
Non-controlling interests		720	145
Total equity		360,622	312,753
Non-current liability			
Convertible loan notes		40,046	76,743
		400,668	389,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 (“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 HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemptions from Comparative HKFRS 7
	Disclosures for First-time Adopters
Hong Kong Accounting Standards (“HKAS”) 24 (Revised)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (International Financial Reporting Interpretations Committee) – Interpretation (“Int”) 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as explained below, the adoption of the above new and revised HKFRSs has had no material impact on the Group’s financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 (as part of improvements to HKFRSs issued in 2010) clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

Amendments to HKFRS 3 Business Combination (as part of improvements of HKFRSs issued in 2010)

As part of Improvements to HKFRSs issued in 2010, HKFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other standards.

Such amendments to HKFRS 3 have been applied in the current year and have affected the accounting for the acquisition of subsidiaries in the current year. The non-controlling interests were measured at their acquisition-date fair value at the date of acquisition of those subsidiaries.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle ²
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
	Government Loans ²
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets ¹
	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangement ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁵
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁶
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 July 2012.

⁶ Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 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.

The directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosure regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss (“FVTPL”)) 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 presented 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 presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company are in the process of making an assessment of the potential impact of HKFRS 9 and the directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and Hong Kong (Standing Interpretation Committee) ("HK(SIC)")-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same times.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendment to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the time basis.

The amendments to HKAS 1 are effective for the annual period beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and of the Company.

2. TURNOVER

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Continuing operations		
Dividend income	219	–
Income from securities and insurance brokerage business	14,616	32,688
Interest income from money lending business	7,841	–
Margin interest income from securities brokerage business	33,395	32,289
Net (loss) gain on trading of securities	(13,916)	7,524
Other consultancy and subscription service income	2,871	2,810
Service income from corporate finance service business	2,328	–
	<u>47,354</u>	<u>75,311</u>

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 and insurance brokerage and margin financing in Hong Kong.
- 2) The proprietary trading segment engages in proprietary trading of securities.
- 3) The corporate finance segment engages in the provision of corporate finance services in Hong Kong.
- 4) The money lending segment engages in the provision of money lending services in Hong Kong.
- 5) Others.

Although proprietary trading does not meet the quantitative threshold required by HKFRS 8 "Operating Segments", 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.

Corporate finance and money lending segments were the new operating segments for the year ended 31 March 2012.

Other operation includes consultancy service income only.

The directors of the Company considered that the money lending transaction incurred during the year ended 31 March 2011 did not constitute an operating segment as no internal resources was allocated to and no regular assessment was performed for this business. Therefore, the result of money lending segment was classified in unallocated segment in the segment information for the year ended 31 March 2011.

The futures brokerage business, which was included in broking and margin financing segment, was discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations.

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 2012

Continuing operations

	Broking and margin financing <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover							
External turnover	48,011	(13,697)	2,328	7,841	2,871	–	47,354
Inter-segment turnover (<i>note</i>)	–	–	–	–	3,519	(3,519)	–
	<u>48,011</u>	<u>(13,697)</u>	<u>2,328</u>	<u>7,841</u>	<u>6,390</u>	<u>(3,519)</u>	<u>47,354</u>
Segment (loss) profit	(40,719)	(13,697)	(738)	5,841	(5,946)	–	(55,259)
Unallocated operating income							18,919
Unallocated operating expense							(67,746)
Change in fair value of financial assets designated as fair value through profit or loss							(289)
Gain on early redemption of guaranteed exchangeable notes							8,836
Change in fair value of guaranteed exchangeable notes							(5,467)
Change in fair value of derivative component of convertible loan notes							52,400
Loss on disposal of subsidiaries							(1,054)
Share of profits of jointly-controlled entities							157
Finance costs							<u>(14,506)</u>
Loss before tax							<u>(64,009)</u>

For the year ended 31 March 2011
Continuing operations

	Broking and margin financing <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover					
External turnover	64,977	7,524	2,810	–	75,311
Inter-segment turnover (<i>note</i>)	<u>–</u>	<u>–</u>	<u>636</u>	<u>(636)</u>	<u>–</u>
	<u>64,977</u>	<u>7,524</u>	<u>3,446</u>	<u>(636)</u>	<u>75,311</u>
Segment profit (loss)	15,807	6,061	(472)	–	21,396
Unallocated operating income					4,334
Unallocated operating expense					(39,697)
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 notes					2,863
Gain on disposal of subsidiaries					5,000
Finance costs					<u>(22,341)</u>
Loss before tax					<u><u>(31,958)</u></u>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit attributable to each segment without allocation of administration expenses, change in fair value of financial assets designated as fair value through profit or loss, gain on early redemption of guaranteed exchangeable notes, change in fair value of guaranteed exchangeable notes, change in fair value of derivative component of convertible loan notes, (loss) gain on disposal of subsidiaries, share of profits of jointly-controlled entities, finance costs, interest income from financial institutions and investment deposits, and income tax expense. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<i>Segment assets</i>		
Broking and margin financing	248,080	451,303
Proprietary trading	14,915	39,712
Corporate finance	6,165	–
Money lending	55,270	–
Others	344	144
Total segment assets	324,774	491,159
Assets relating to discontinued operations	108,512	–
Unallocated	199,693	303,463
Consolidated total assets	<u><u>632,979</u></u>	<u><u>794,622</u></u>
<i>Segment liabilities</i>		
Broking and margin financing	38,009	201,063
Proprietary trading	–	345
Corporate finance	142	–
Money lending	–	–
Others	27	206
Total segment liabilities	38,178	201,614
Liabilities relating to discontinued operations	94,976	–
Unallocated	139,203	280,255
Consolidated total liabilities	<u><u>272,357</u></u>	<u><u>481,869</u></u>

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

- all assets are allocated to reportable segments other than plant and equipment for general operations, club membership debentures, interests in jointly-controlled entities, available-for-sale financial assets, amounts due from jointly-controlled entities, amount due from an investee company, certain other receivables, deposits and prepayments, derivative component of convertible loan notes, 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 certain other payables and accruals, bank and other borrowings, liability component and derivative component of convertible loan notes, guaranteed exchangeable notes, provision and tax payable.

Other segment information
For the year ended 31 March 2012

Continuing operations	Broking and margin financing HK\$'000	Proprietary trading HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment (loss) profit or segment assets							
Additions to non-current assets (<i>note</i>)	111	–	3,994	–	–	25,286	29,391
Depreciation	854	–	24	–	13	3,846	4,737
Write-off of							
– loan receivables	–	–	–	2,000	–	–	2,000
– other receivables	–	–	–	–	–	987	987
Impairment losses on							
– Available-for-sales financial assets	–	–	–	–	–	500	500
– Intangible assets	–	–	–	–	–	2,261	2,261
– Amount due from an investee company	–	–	–	–	–	5,042	5,042
– Trade receivables	<u>62,967</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>62,967</u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment (loss) profit or segment assets							
Interests in jointly-controlled entities	–	–	–	–	–	8,238	8,238
Interest income from							
– financial institutions	(12)	–	–	–	–	(726)	(738)
– investment deposits	–	–	–	–	–	(8,594)	(8,594)
Change in fair value of financial assets designated as fair value through profit or loss	–	–	–	–	–	289	289
Gain on early redemption of guaranteed exchangeable notes	–	–	–	–	–	(8,836)	(8,836)
Change in fair value of guaranteed exchangeable notes	–	–	–	–	–	5,467	5,467
Change in fair value of derivative component of convertible loan notes	–	–	–	–	–	(52,400)	(52,400)
Loss on disposal of subsidiaries	–	–	–	–	–	1,054	1,054
Share of profit of jointly-controlled entities	–	–	–	–	–	(157)	(157)
Finance costs	2,447	–	–	–	–	12,059	14,506
Income tax expense	<u>168</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>284</u>	<u>452</u>

Other segment information
For the year ended 31 March 2011

Continuing operations	Broking and margin financing <i>HK\$'000</i>	Proprietary trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit (loss) or segment assets					
Additions to non-current assets (<i>note</i>)	610	5	–	3,128	3,743
Depreciation	757	5	573	946	2,281
Impairment losses on					
– Available-for-sales financial assets	–	–	–	1,254	1,254
– Trade receivables	9,985	–	–	–	9,985
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit (loss) or segment assets					
Interest income from financial institutions and loan receivables	(3)	–	–	(559)	(562)
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 costs	5,972	–	–	16,369	22,341
Income tax expense	382	–	–	557	939

Note: Non-current assets exclude financial instruments.

Information about major customers

For both years ended 31 March 2012 and 2011, the Group did not have any customer contributed more than 10% of the Group's aggregate revenue.

Geographical information

The Group's operations are mainly located and carries out in Hong Kong. Accordingly, no geographical information has been prepared.

4. OTHER REVENUE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Continuing operations		
Profit guarantee compensation (<i>Note (i)</i>)	–	1,000
Handling charges	248	203
Interest income on financial institutions	738	20
Interest income from loan receivables	–	542
Interest income from investment deposits (<i>Note (ii)</i>)	8,594	–
Net exchange gain	6,096	18
Commission income	1,200	–
Referral income	3,055	–
Reversal of impairment loss on recognised in respect of trade receivables	–	62
Write back of long outstanding trade payables, other payables and accruals	–	409
Sub-letting income from rental premises	–	1,181
Sundry income	188	157
	<u>20,119</u>	<u>3,592</u>

Notes:

- i) The profit guarantee compensation for the year ended 31 March 2011 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.
- ii) The interest income was arising from the investment deposits for the acquisition of 49% equity interest in a brokerage services company in the the People’s Republic of China (the “PRC”). The acquisition was terminated during the year ended 31 March 2012 and the interest income was recognised starting from the date of first payment of the investment deposits.

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

The amount represents the change in fair values of a subscription option entitled to the holder of a convertible loan note to subscribe for an additional convertible loan note and an early redemption option entitled to the Company to early redeem a convertible loan note. The fair values of the option were valued by an independent valuer at the date of issuance, the date of extension of option and at the end of each reporting period using Black-Scholes option pricing model.

6. IMPAIRMENT LOSSES

	2012 HK\$'000	2011 HK\$'000 (Restated)
Continuing operations		
Impairment losses on:		
Intangible assets	2,261	–
Available-for-sales financial assets	500	1,254
Trade receivables	62,967	9,985
Amount due from an investee company	5,042	–
	<u>70,770</u>	<u>11,239</u>

7. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Continuing operations		
Interest on bank overdrafts	–	27
Interest on bank and other borrowings	8,865	8,805
Imputed interest expenses on convertible loan notes	5,641	13,509
	<u>14,506</u>	<u>22,341</u>

8. LOSS BEFORE TAX

	2012 HK\$'000	2011 HK\$'000 (Restated)
Loss before tax from continuing operations has been arrived at after charging:		
Continuing operations		
Auditor's remuneration	750	720
Depreciation of plant and equipment	4,737	2,281
Total staff costs:		
– directors' remuneration	12,392	3,743
– salaries and allowance	28,206	23,512
– retirement benefit scheme contributions (excluding directors)	659	882
	<u>41,257</u>	<u>28,137</u>
Loss on written off of plant and equipment	291	69
Write off of other receivables	987	–
Write off of loan receivables	2,000	–
Operating lease in respect of rented premises	<u>17,611</u>	<u>9,434</u>

9. INCOME TAX EXPENSE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Continuing operations		
Current taxation		
Hong Kong Profits Tax		
– Provision for the year	258	863
– Under-provision in prior year	194	76
	<u>452</u>	<u>939</u>

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

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during the both years.

10. DIVIDEND

The Directors do not recommend the payment of a final dividend for two years ended 31 March 2012 and 2011.

11. LOSS PER SHARE

From continuing and discontinued operations

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share	(69,602)	(65,370)
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible loan notes	(52,862)	–
Loss for the purpose of diluted loss per share	<u>(122,464)</u>	<u>(65,370)</u>

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 loss per share as follows:

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of computation of basic loss per share	3,037,686	1,849,914
Effect of dilutive potential ordinary shares:		
Options to subscribe for the optional convertible loan notes (<i>Note</i>)	<u>800,000</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	<u><u>3,837,686</u></u>	<u><u>1,849,914</u></u>

Note:

Balance represented the options to subscribe for the optional convertible loan notes to be issued by the Company in a maximum principal sum of HK\$128,000,000 convertible into maximum of 800,000,000 ordinary shares at HK\$0.16 each.

The calculation of diluted loss per share does not assume the exercise of these options for the year ended 31 March 2011 as their exercise would result in a decrease in loss per share.

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:

	2012 HK\$'000	2011 HK\$'000 (Restated)
Loss for the year attributable to owners of the Company	(69,602)	(65,370)
Less: loss for the year from discontinued operations (<i>Note 12</i>)	<u>5,701</u>	<u>32,618</u>
Loss for the year for the purpose of computation of basic loss per share from continuing operations	(63,901)	(32,752)
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible loan notes	<u>(52,862)</u>	<u>—</u>
Loss for the purpose of diluted loss per share	<u><u>(116,763)</u></u>	<u><u>(32,752)</u></u>

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

From discontinued operations

Basic loss per share for the discontinued operations was HK\$0.19 cents (2011: HK\$1.76 cents) per share for the year ended 31 March 2012, based on the loss for the year from the discontinued operations attributable to the owners of the Company of approximately HK\$5,701,000 (2011: HK\$32,618,000) and the denominators detailed above for basic loss per share for the year ended 31 March 2012.

Diluted loss per share for the discontinued operations for the year ended 31 March 2012 was HK\$0.15 cents (2011: HK\$1.76 cents) per share, based on the loss for the year from the discontinued operations attributable to the owners of the Company of approximately HK\$5,701,000 (2011: HK\$32,618,000) and the denominators detailed above for diluted loss per share for the year ended 31 March 2012.

The calculation of diluted loss per share for the discontinued operations does not assume the conversion of the convertible loan notes and the exercise of the Company's warrants since their conversion or exercise would result in a decrease in loss per share.

Calculation of diluted loss per share

The calculation of diluted loss per share for the two years ended 31 March 2012 and 2011 does not assume the conversion of the convertible loan notes and the exercise of the Company's warrants since their conversion or exercise would result in a decrease in loss per share.

12. DISCONTINUED OPERATIONS

On 29 July 2011, Fortune Financial (Holdings) Limited ("Fortune Financial"), a subsidiary of the Company, entered into a sales and purchase agreement for the sale of the entire issued share capital in Excalibur Future Limited ("EFL"), which was engaged in the future brokerage business and included in broking and margin financing segment, and its subsidiaries (collectively referred to as "EFL Group") to New Century Excalibur Holdings Limited, an independent third party to the Group, for a consideration of HK\$15,880,000.

The disposal was approved by the shareholders of the Company in the extraordinary general meeting held on 9 September 2011. The disposal was subsequently completed on 31 May 2012.

The results of discontinued operations for the year are as follows:

	2012 HK\$'000	2011 HK\$'000
Turnover	26,609	35,355
Cost of sales and services rendered	(10,846)	(12,132)
Gross profit	15,763	23,223
Other revenue	1,699	3,696
(Loss) gain on disposal of investments held for trading	(724)	1,320
Impairment losses	(724)	(21,769)
Other operating and administrative expenses	(21,715)	(38,168)
Loss before tax from discontinued operations	(5,701)	(31,698)
Income tax expense	–	(920)
Loss for the year	(5,701)	(32,618)
Loss for the year from discontinued operations include the following:		
Depreciation of plant and equipment	548	760
Amortisation of intangible assets	–	4,000
Impairment loss on trade receivables	724	6,436
Impairment loss on intangible asset	–	15,333
Reversal of impairment loss recognised in respect of trade receivables	(824)	–
Operating lease in respect of rented premises	5,611	5,602
Staff costs	6,912	11,322
Contribution to retirement benefit scheme	290	519

13. TRADE RECEIVABLES

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

	2012 HK\$'000	2011 HK\$'000
Trade receivables from the business of dealing in securities		
– clearing house and cash clients	6,680	14,643
– margin clients	273,965	301,469
Trade receivables from the business of dealing in futures		
– clearing house and cash clients	–	32,138
Trade receivables from other businesses	2,749	132
	283,394	348,382
Less: Impairment loss recognised	(72,989)	(16,495)
	210,405	331,887

As at 31 March 2012, no trade receivables balance (2011: HK\$13,187,000) 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 were 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.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Less than 30 days	2,375	28,595
31 to 60 days	305	1,499
61 to 90 days	60	715
Over 90 days	4,382	9,581
	<u>7,122</u>	<u>40,390</u>

Trade receivables to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK\$513,837,000 (2011: HK\$1,127,563,000) which can be sold at the Group's discretion 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 2012, included in the total trade receivables, approximately HK\$207,756,000 (2011: HK\$299,699,000) were interest bearing whereas approximately HK\$2,649,000 (2011: HK\$32,188,000) 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\$6,532,000 (2011: HK\$14,989,000) which were past due as at the reporting date for which the Group has not provided for impairment loss.

At 31 March 2012 and 2011, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Less than 30 days	2,323	3,194
31 to 60 days	305	1,499
61 to 90 days	60	715
Over 90 days	3,844	9,581
	<u>6,532</u>	<u>14,989</u>

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\$111,356,000 over these balances (2011: HK\$224,390,000).

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

	2012 HK\$'000	2011 HK\$'000
Balance at beginning of the year	16,495	136
Reclassified as assets held for sale	(6,373)	–
Reversal of impairment loss recognised	(824)	(62)
Recognised impairment loss during the year	63,691	16,421
	<u>63,691</u>	<u>16,421</u>
Balance at end of the year	72,989	16,495
	<u>72,989</u>	<u>16,495</u>

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK\$72,989,000 (2011: HK\$16,495,000) were individually impaired trade debtors who were in financial difficulties. The Group does not hold any collateral over these balances.

14. LOAN RECEIVABLES

	2012 HK\$'000	2011 HK\$'000
Secured loan receivables	10,016	150,542
Unsecured loan receivables	45,254	–
	<u>45,254</u>	<u>–</u>
	55,270	150,542
	<u>55,270</u>	<u>150,542</u>

The secured loan receivables are secured by the equity shares of an unlisted company (2011: transferrable convertible bonds issued by a listed company) and bear interest at a fixed interest rate at 12% (2011: 12%) per annum.

The unsecured loan receivables bear interest at a rate ranging from 20% to 25% per annum. All the unsecured receivables are guaranteed by independent third parties as at 31 March 2012.

The following table illustrated the ageing analysis, based on the loan drawn down date, of the loan receivables outstanding at the end of the reporting period:

	2012 HK\$'000	2011 <i>HK\$'000</i>
Less than 30 days	45,254	150,542
Over 90 days	10,016	–
	<u>55,270</u>	<u>150,542</u>

There was no loan receivables neither past due nor impaired as at 31 March 2012 (2011: nil).

The loan receivables are due for settlement at the date specified in the respect loan agreements.

During the year ended 31 March 2012, loan receivable of HK\$2,000,000 (2011: nil) is written off due to the directors of the Company considered that the recoverability of the receivables is remote.

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2012 HK\$'000	2011 <i>HK\$'000</i>
Trade payables from the business dealing in securities – margin and cash clients	35,929	70,530
Trade payables from the business dealing in future contracts	–	62,826
Other payables and accruals	7,538	18,271
	<u>43,467</u>	<u>151,627</u>

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

All the other payables and accruals were denominated in HK\$ as at 31 March 2012. As at 31 March 2011, included in the other payables and accruals, amount of approximately HK\$1,080,000 and HK\$3,607,000 was denominated in RMB and USD respectively.

16. COMMITMENTS

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

(a) Capital commitments

	2012 HK\$'000	2011 HK\$'000
Contracted but not provided for		
– acquisition of plant and equipment	–	1,000
– acquisition of equity interest in a subsidiary	<u>615</u>	<u>–</u>
	<u>615</u>	<u>1,000</u>

(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:

	2012 HK\$'000	2011 HK\$'000
Within one year	16,694	11,190
In the second to fifth years, inclusive	<u>14,615</u>	<u>15,521</u>
	<u>31,309</u>	<u>26,711</u>

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for two years ended 31 March 2012 and 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2012, the turnover of the Group's continuing operations decreased by 37.12% to approximately HK\$47,354,000 (2011: approximately HK\$75,311,000). Loss of approximately HK\$5,701,000 for the year ended 31 March 2012 (2011: approximately HK\$32,618,000) was recorded from the discontinued operations following the disposal of the entire equity interest in EFL Group on 29 July 2011. Due to the reduction of brokerage commission income, the impairment of account receivables and net loss on trading of listed securities, the Group's loss attributable to the owners of the Company amounted to HK\$69,602,000 (2011: approximately HK\$65,370,000).

During the year under review, the Group has further diversified its business by provision of corporate finance services and money lending services. In November 2011, the Group has completed the acquisition of 80% of equity interest in a non-wholly-owned subsidiary, Fortune Financial Capital Limited (formerly known as Athens Capital Limited) ("Fortune Financial Capital"), which contributed turnover of approximately HK\$2,328,000 to the Group during the period. In December 2011, the Group acquired of 35% equity interest in the finance lease operation as disclosed under "Material Acquisitions and Disposals" in order to develop the finance lease industry in the PRC.

REVIEW OF OPERATIONS

Broking and margin financing

For the year ended 31 March 2012, the Group recorded revenue of approximately HK\$48,011,000, representing a decrease of 26.11% as compared to the revenue of approximately HK\$64,977,000 last year. Such decrease in revenue was attributable to the instability in global financial markets, volatility in both the Hong Kong and the PRC stock markets and the completion of disposal of ESL on 20 January 2011.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our Shenzhen representative office to explore cross border business opportunities in securities trading and placement.

Corporate finance

During the year under review, the Group has diversified its business by provision of corporate finance services through the completion of the acquisition of 80% of equity interests in Fortune Financial Capital. The Group recorded revenue of approximately HK\$2,328,000 for the year ended 31 March 2012.

Proprietary trading

During the year under review, proprietary trading business was struck by global economic adversity that it recorded a loss of HK\$13,697,000 compared to a profit of approximately HK\$7,524,000 in the correspondence period of last year. The loss during the year was mainly due to the high volatility of the securities market.

Money lending

During the year under review, the Group has diversified its business by provision of money lending services. The Group recorded revenue of approximately HK\$7,841,000 for the year ended 31 March 2012.

Other businesses

For the year ended 31 March 2012, the Group recorded revenue from other business operations in the areas of financial communication service of approximately HK\$6,390,000, representing an increase of 85.43% as compared to the revenue of approximately HK\$3,446,000 last year. The Group aim to provide our clients with diversified products and services to suit their varying needs.

The Group expects these business could contribute steady income with satisfactory return in the long run.

Discontinued operations

The Group disposed the entire equity interest in EFL Group in July 2011. The future brokerage business carried by EFL Group up to 31 March 2012 and loss of HK\$5,701,000 for the year ended 31 March 2012 are presented in the consolidated financial statements of the Group as discontinued operation.

PROSPECTS

The extreme volatility in the global financial market has put China in the spot light as an engine to facilitate the economic growth of other countries. As one of the key financial hub of China, Hong Kong plays a pivotal role and also offers a rare opportunity for the Group.

During the year under review, the Group, officially renamed as “China Fortune Financial Group”, has focused on the development of financial services business, particularly in the small and medium-sized capital markets in Hong Kong and Mainland China. Capitalising on the rich experience and vision of the management, we expect the Group will gradually get involved into a financial field featuring comprehensiveness and professionalism in order to provide our clients with more diversified and qualified financial services. The Group’s goal is to become a major participant in the financial service sector of Hong Kong.

To seize various business opportunities amidst high-speed economic growth in China, the Group is establishing related networks and connections across the country, which is destined to switch our business to top gear.

One of the business priorities is to establish asset management venture in the PRC, further capitalising our investments in the area. In November 2011, we have completed the acquisition of a non-wholly-owned subsidiary, so as to provide financial advisory and independent financial advisory services to corporate clients in Greater China region.

Moreover, in light of the excessive demands of small and medium enterprises for financing that cannot be satisfied by Chinese bank loans, the Group has been engaging into the small loan and finance lease sectors at the end of 2011, and extending the highly lucrative alternative financing market. Through acquisition of and capital injection in Measure Up International Limited (“Measure Up”), the Group has engaged in finance lease related business in and around Shanghai, which is expected to increase our revenue sources and be conducive to the long-term development.

Looking ahead, the Group will consolidate and perfect the existing securities investment related services. Meanwhile, we proactively identify new business opportunities in light of the current situation, so as to pursue a greater return for shareholders.

CAPITAL STRUCTURE

As at 31 March 2011, the total issued shares of the Company (the “Shares”) were 2,512,023,168 Shares.

A placing agreement dated 27 February 2008 was 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 bonds 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\$0.10 per conversion share. During the year ended 31 March 2012, convertible notes with an aggregate principal amount of HK\$12,000,000 were converted into 120,000,000 Shares under this agreement.

On 17 February 2009, the Group granted remuneration warrants to Veda Capital Limited to subscribe for 12,000,000 shares at an exercise price of HK\$0.1 per share at any time between the issuance date of remuneration warrants and 36 months thereafter. During the year ended 31 March 2012, remuneration warrants were exercised to subscribe for 12,000,000 Shares.

A conditional agreement dated 6 March 2009 was 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 of 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 to 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 2012, ESL CB in the aggregate principal amount of HK\$5,880,000 were converted into 36,750,000 Shares.

A conditional agreement dated 6 March 2009 was entered into between Fortune Financial as the purchaser and Pioneer as the vendor in respect of acquisition of the remaining 49% equity interest in EFL at a consideration of 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\$2,450,000 were converted into 15,312,500 Shares.

A subscription agreement dated 22 May 2009 (the “Subscription Agreement”) was entered into between the Company as issuer and Jadehero Limited (“Jadehero”) as the subscriber in respect of a conditional issuance of the zero coupon convertible 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 2012, convertible bonds with an aggregate principal amount of HK\$51,200,000 were converted into 320,000,000 Shares.

On 12 May 2011 the Company as the issuer entered into a placing agreement (the “Placing Agreement”) with Fortune (HK) Securities Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, as the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort, a maximum of 150,000,000 placing shares at a placing price of HK\$0.33 per placing share. The placing of shares was completed on 14 July 2011.

As at 31 March 2012, the total issued Shares were 3,166,085,668 Shares.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the year, all licensed subsidiaries complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (“HKSF(FR)R”).

CAPITAL RISK 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 bank and 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 2012 and 2011.

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 Hong Kong Securities and Futures (Financial Resources) Rule (“HKSF(FR)R”) adopted by the SFC. Under the HKSF(FR)R, these Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by HKSF(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 2012, the Group’s total current assets and current liabilities were approximately HK\$488,969,000 (as at 31 March 2011: approximately HK\$778,043,000) and approximately HK\$137,335,000 (as at 31 March 2011: approximately HK\$405,126,000) respectively, while the current ratio was about 3.56 times (as at 31 March 2011: about 1.92 times).

As at 31 March 2012, the Group’s aggregate cash balance amounted to approximately HK\$69,251,000 (as at 31 March 2011: approximately HK\$44,747,000), representing approximately 14.16% (as at 31 March 2011: approximately 5.75%) of total current assets.

As at 31 March 2012, the Group had total bank and other borrowings HK\$54,328,000 and the Group had total other borrowings and guaranteed exchangeable notes as at 31 March 2011 of HK\$99,000,000 and HK\$81,169,000, respectively. Other borrowings and guaranteed exchangeable notes are primarily at fixed rates while bank borrowings are primarily at variable rates. Currently all the Group’s bank and other borrowings are denominated in Hong Kong Dollars except the guaranteed exchange notes were 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 2012, measured on the basis of total borrowing as a percentage of total Shareholders’ equity, was approximately 35.63% (as at 31 March 2011: approximately 104.48%). The decrease was mainly due to repayment of other borrowings and guaranteed exchangeable note and issue of shares by placing, conversion from bondholders and upon exercise of share warrants.

As at 31 March 2012, the debt ratio, defined as total debts over total assets, was approximately 43.03% (as at 31 March 2011: approximately 60.64%). The decrease in the ratio was mainly due to repayment of guaranteed exchangeable note and decrease in the convertible loan notes liabilities.

FUND RAISING ACTIVITIES

On 6 September 2011, a second supplemental agreement (the “Second Supplemental Agreement”) was entered into between the Company and Jadehero to supplement the Subscription Agreement and the supplement agreement dated 6 September 2010 (the “Supplement Agreement”).

Pursuant to the Subscription Agreement, among others, an option (the “Option”) was granted to Jadehero to further subscribe for the zero coupon convertible bonds in a maximum principal amount of HK\$128,000,000 (the “Optional Bonds”), convertible up to 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 (the “Option Period”) to 6 September 2010.

Pursuant to the Supplemental Agreement dated 6 September 2010 and the Second Supplemental Agreement dated 6 September 2011, the Company agreed to extend the Option Period to 36 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 out the outstanding Option by Jadehero, and is convertible into a maximum of 800 million conversion shares of the Company, would expire on 6 September 2012. The Second Supplemental Agreement was approved by the Shareholders at the extraordinary general meeting of the Company held on 31 October 2011.

No option had been exercised during the year under review.

On 12 May 2011, the Company as the issuer entered into a placing agreement (the “Placing Agreement”) with Fortune (HK) Securities Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, as the placing agent pursuant to which the Company has agreed to place, through the placing agent on a best effort basis, a maximum of 150,000,000 placing shares at a placing price of HK\$0.33 per placing share. The placing of 150,000,000 placing shares was completed on 14 July 2011 and the proceeds of approximately HK\$49,500,000 were raised from the placing.

MATERIAL ACQUISITION AND DISPOSAL

On 22 May 2009, Fortune Financial entered into a conditional share transfer agreement (the “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 Future”) 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 Conditional Share Transfer Agreement was terminated on 26 June 2011.

[#] For identification purpose only

On 29 July 2011, Fortune Financial, a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with New Century Excalibur Holdings Limited (“New Century”) pursuant to which Fortune Financial has agreed to disposal of the entire equity interest of EFL Group to New Century at the consideration of HK\$15,880,000. The transaction constituted a major and connected transaction of the Company. Details of which were published in the Company’s announcement dated 29 July 2011. The disposal has been completed as at 31 May 2012.

On 21 December 2011, Promiseasy Limited, a direct wholly-owned subsidiary of the Company (“Promiseasy”), entered into the sale and purchase agreement with Ever Step Holdings Limited (“Ever Step”) and Credit China Holdings Limited pursuant to which the Promiseasy has agreed to purchase 35% of the share capital in Measure Up and its subsidiaries (collectively referred to as Measure Up Group), and an interest-free on-demand loan of approximately HK\$32,308,000 due from Measure Up at the consideration of approximately HK\$40,385,000, by the issue of the convertible bond by the Company to Ever Step. Upon full conversion of the convertible bond, 201,923,075 conversion shares will be issued by the Company. Measure Up Group is engaged in the businesses of finance leases, leasing, sale and purchase of local and overseas business, and advisory and guarantee services in relation to leasing business in the PRC. The transaction constitutes a discloseable transaction of the Company. Details of which were published in the Company’s announcement dated 21 December 2011. The acquisition has been completed as at 29 December 2011.

Other than disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 March 2012.

SIGNIFICANT INVESTMENT

During the year under review, the Group purchased the exchangeable note (the “Exchangeable Note”) with principal amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000) issued by Jovial Lead Limited (“Jovial Lead”). Jovial Lead is a wholly-owned subsidiary of Credit China Holdings Limited, a public limited company with its shares listed on the Growth Enterprises Market of Stock Exchange. The Exchangeable Note bears 12% interest per annum with maturity on 15 November 2012.

As at 31 March 2012, the Group held financial asset at fair value through profit or loss amounting to approximately HK\$14,915,000 (2011: approximately HK\$37,079,000), available-for-sale financial assets amounting to approximately HK\$1,448,000 (2011: approximately HK\$1,948,000) and convertible instruments designated as financial assets at fair value through profit or loss amounting to HK\$60,317,000 (2011: approximately HK\$2,106,000).

EVENT AFTER THE REPORTING PERIOD

On 18 May 2012, First Dynasty Holdings Limited, a direct wholly-owned subsidiary of the Company acquired the remaining 20% of the share capital in Fortune Financial Capital.

On 29 July 2011, the Group entered into a sales and purchase agreement for the sale of the entire issued share capital in EFL to New Century, an independent third party to the Group, for a consideration of HK\$15,880,000. The disposal was subsequently completed on 31 May 2012, and details of which were published in the Company's announcement dated 29 July 2011, 30 March 2012 and 31 May 2012, respectively, as well as the circular of the Company dated 25 August 2011 and the poll result announcement of the Company dated 9 September 2011.

CONTINGENT LIABILITIES

As at 31 March 2012, the Group does not have any material contingent liabilities (2011: Nil).

CHARGE ON THE GROUP'S ASSET

As at 31 March 2012, the Group had not charged or pledged any of its assets (2011: 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 2012, the Group mainly uses Hong Kong dollars to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

HUMAN RESOURCES

At as 31 March 2012, the Group had 128 employees (2011: 113). 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 March 2012.

AUDIT COMMITTEE

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 the internal controls and financial reporting matters including the review of the consolidated audited financial statements and annual result for the year ended 31 March 2012.

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standard of corporate governance as the Directors believe it would improve the effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in the markets and could enhance Shareholders' value in consequence. During the year under review, the Directors are of the opinion that the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rule Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 March 2012.

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 year ended 31 March 2012.

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 2012 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 Financial Group Limited
Ng Cheuk Fan, Keith
Managing Director

Hong Kong, 25 June 2012

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. Zhang Min (Chairman), Mr. Ng Cheuk Fan, Keith (Managing Director), Mr. Hon Chun Yu and Mr. Xia Yingyan; two non-executive Directors, namely Mr. Wong Kam Fat, Tony (Vice-chairman) and Mr. Wu Ling and three independent non-executive Directors, namely, Mr. Lam Ka Wai, Graham, Mr. Ng Kay Kwok and Mr. Tam B Ray Billy.