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 2013

The board (the "**Board**") of directors (the "**Directors**") of China Fortune Financial Group Limited (the "**Company**") announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2013 together with the comparative figures for the previous year are as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Continuing operations			
Turnover	*3*	**46,810**	47,354
Cost of securities brokerage and margin financing		**(2,938)**	(4,070)
Other revenue	*5*	**14,556**	20,119
Depreciation		**(5,909)**	(4,737)
Salaries and allowances		**(43,980)**	(41,257)
Change in fair value of financial assets designated as fair value through profit or loss		**3,716**	(289)
Change in fair value of derivative component of convertible loan notes		**4,975**	52,400
Gain on early redemption of guaranteed exchangeable notes		**–**	8,836
Change in fair value of guaranteed exchangeable notes		**–**	(5,467)
Gain (loss) on disposal of subsidiaries	*17*	**430**	(1,054)
Impairment losses	*6*	**(39,817)**	(70,770)
Other operating and administrative expenses		**(41,160)**	(50,725)
Share of profits of associates		**2,428**	–
Share of profits of jointly-controlled entities		**1,094**	157
Finance costs	*7*	**(12,158)**	(14,506)
Loss before tax	*8*	**(71,953)**	(64,009)
Income tax expense	*9*	**–**	(452)
Loss for the year from continuing operations		**(71,953)**	(64,461)

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Discontinued operation			
Profit (loss) for the year from discontinued operation	*10*	**2,587**	(5,701)
Loss for the year		**(69,366)**	(70,162)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**572**	19
Share of other comprehensive income of associates		**152**	–
Share of other comprehensive income of jointly-controlled entities		**52**	4
Reclassification adjustments for the cumulative exchange gains included in consolidated statements of comprehensive income upon disposal of foreign subsidiaries		**(391)**	–
Other comprehensive income for the year		**385**	23
Total comprehensive expense for the year		**(68,981)**	(70,139)
Loss for the year attributable to:			
Owners of the Company		**(69,002)**	(69,602)
Non-controlling interests		**(364)**	(560)
		(69,366)	(70,162)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(68,619)**	(69,579)
Non-controlling interests		**(362)**	(560)
		(68,981)	(70,139)
Loss per share	*12*	***HK cents***	*HK cents*
From continuing and discontinued operations			
Basic		**(2.18)**	(2.29)
Diluted		**(2.18)**	(3.19)
From continuing operations			
Basic		**(2.26)**	(2.10)
Diluted		**(2.26)**	(3.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Plant and equipment		**9,482**	11,588
Intangible assets		**–**	–
Club membership debentures		**6,610**	6,610
Other non-current assets		**230**	275
Goodwill		**3,994**	3,994
Available-for-sale financial assets		**8**	1,448
Interests in associates		**14,183**	–
Interests in jointly-controlled entities		**9,384**	8,238
Deposits		**3,345**	3,345
		47,236	35,498
Current assets			
Amounts due from associates		**58,403**	–
Amounts due from jointly-controlled entities		**70,000**	32,308
Investments held for trading		**22,842**	14,915
Trade receivables	*13*	**153,096**	210,405
Loan receivables	*14*	**29,448**	55,270
Amount due from an investee company		**–**	–
Other receivables, deposits and prepayments		**2,429**	3,221
Convertible instruments designated as financial assets at fair value through profit or loss		**–**	60,317
Derivative component of convertible loan notes		**6,821**	4,924
Amount due from a non-controlling shareholder of a subsidiary		**125**	125
Bank balances and cash – trust		**60,596**	38,233
Bank balances and cash – general		**43,535**	69,251
		447,295	488,969
Assets classified as held for sale		**–**	108,512
		447,295	597,481

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
Current liabilities			
Trade payables, other payables and accruals	*15*	**74,637**	43,467
Bank and other borrowings		**52,954**	54,328
Derivative component of convertible loan notes		**–**	7,359
Convertible loan notes		**–**	31,424
Tax payable		**720**	757
		128,311	137,335
Liabilities associated with assets held for sale		**–**	94,976
		128,311	232,311
Net current assets		**318,984**	365,170
Total assets less current liabilities		**366,220**	400,668
Capital and reserves			
Share capital	*16*	**316,609**	316,609
Reserves		**(17,623)**	43,293
Equity attributable to owners of the Company		**298,986**	359,902
Non-controlling interests		**4**	720
Total equity		**298,990**	360,622
Non-current liability			
Convertible loan notes		**67,230**	40,046
		366,220	400,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

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.

2. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

In the current year, the Group has applied a number of amendments to HKFRS, issued by the HKICPA that are mandatorily effective for current reporting period.

The application of the amendments to HKFRSs in the current year has had no material impact on Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvement 2009-2011 Cycle[2]
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
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 Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(International Financial Reporting Interpretations Committee) – Interpretation ("**Int**") 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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

[3] Effective for annual periods beginning on or after 1 January 2014.

[4] Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 Presentation of Financial Statements, the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

HKAS 1 requires an entity that changes in accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

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 offset of financial assets and financial liabilities 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 amendments to HKFRS 7 are effective 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.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification 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:

– All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 accounting 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 general recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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. 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 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. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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 fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Hong Kong (Standing Interpretation Committee) ("**HK(SIC)**") – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five standards for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application is permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these standards will have no significant impact on the amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

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 the application of the new standard may affect certain 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 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss".

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 items of other comprehensive income to be 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 same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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 the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. 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 from continuing operations is as follows:

	2013	2012
	HK$'000	*HK$'000*
Dividend income	**261**	219
Income from securities brokerage business	**9,253**	14,616
Interest income from money lending business	**9,472**	7,841
Margin interest income from securities brokerage business	**15,996**	33,395
Net gain (loss) on trading of listed securities	**3,346**	(13,916)
Other consultancy services and insurance brokerage income	**1,988**	2,871
Service income from corporate finance	**6,494**	2,328
	46,810	47,354

4. SEGMENT INFORMATION

The Group's operating segment, based on information reported to the board of directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focus on the type of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1) The broking and margin financing segment engages in securities 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 segment 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 the Group's revenue in future.

Other operation includes consultancy service and insurance brokerage income.

The futures brokerage business, which was included in broking and margin financing segment, was discontinued during the year ended 31 March 2012. The segment information reported on the next pages does not include any amounts for these discontinued operation, which are described in more details in note 10.

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.

Continuing operations

For the year ended 31 March Continuing operations	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Inter-segment elimination		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover														
External turnover	25,249	48,011	3,607	(13,697)	6,494	2,328	9,472	7,841	1,988	2,871	–	–	46,810	47,354
Inter-segment turnover (Note)	22	–	–	–	41	–	–	–	4,138	3,519	(4,201)	(3,519)	–	–
	25,271	48,011	3,607	(13,697)	6,535	2,328	9,472	7,841	6,126	6,390	(4,201)	(3,519)	46,810	47,354
Segment (loss) profit	(24,410)	(40,719)	2,729	(13,697)	(4,158)	(738)	2,629	5,841	(7,207)	(5,946)	–	–	(30,417)	(55,259)
Unallocated operating income													1,991	18,919
Unallocated operating expense													(44,012)	(67,746)
Change in fair value of financial assets designated as fair value through profit or loss													3,716	(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													4,975	52,400
Gain (loss) on disposal of subsidiaries													430	(1,054)
Share of profits of associates													2,428	–
Share of profits of jointly-controlled entities													1,094	157
Finance costs													(12,158)	(14,506)
Loss before tax													(71,953)	(64,009)

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 central administration expenses, directors' salaries, 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, gain (loss) on disposal of subsidiaries, share of profits of associates, 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:

Segment assets	**2013**	2012
	HK$'000	*HK$'000*
Broking and margin financing	**200,254**	248,080
Proprietary trading	**22,842**	14,915
Corporate finance	**5,081**	6,165
Money lending	**29,448**	55,270
Others	**684**	344
Total segment assets	**258,309**	324,774
Assets relating to discontinued operation	**–**	108,512
Unallocated	**236,222**	199,693
Consolidated total assets	**494,531**	632,979

Segment liabilities		
Broking and margin financing	**73,917**	38,009
Corporate finance	**117**	142
Others	**603**	27
Total segment liabilities	**74,637**	38,178
Liabilities relating to discontinued operation	**–**	94,976
Unallocated	**120,904**	139,203
Consolidated total liabilities	**195,541**	272,357

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

- all assets are allocated to operating segments other than plant and equipment for general operations, club membership debentures, interests in associates, interests in jointly-controlled entities, available-for-sale financial assets, amounts due from associates/jointly-controlled entities/an investee company, certain other receivables, deposits and prepayments, derivative component of convertible loan notes, convertible instruments designated as financial assets at fair value through profit or loss and bank balances and cash – general; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, bank and other borrowings, liability component and derivative component of convertible loan notes and tax payable.

Other segment information

For the year ended 31 March	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Unallocated		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations														
Amounts included in the measure of segment (loss) profit or segment assets:														
Additions to non-current assets (note)	**540**	111	**–**	–	**11**	3,994	**–**	–	**415**	–	**15,226**	25,286	**15,777**	29,391
Depreciation	**523**	854	**–**	–	**17**	24	**–**	–	**21**	13	**5,348**	3,846	**5,909**	4,737
Reversal of impairment loss on trade receivables	**(10,924)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(10,924)**	–
Written off of														
– Trade receivables	**–**	–	**–**	–	**491**	–	**–**	–	**–**	–	**–**	–	**491**	–
– Loan receivables	**–**	–	**–**	–	**–**	–	**–**	2,000	**–**	–	**–**	–	**–**	2,000
Impairment losses on trade receivables	**39,817**	62,967	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**39,817**	62,967
(Gain) loss on disposal of plant and equipment	**–**	–	**(127)**	–	**–**	–	**–**	–	**57**	–	**–**	–	**(70)**	–
Written off of plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**60**	291	**60**	291

Note: Non-current assets exclude financial instruments.

For the year ended 31 March	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Unallocated		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations														
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment (loss) profit or segment assets:														
Interests in associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**14,183**	–	**14,183**	–
Interests in jointly-controlled entities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**9,384**	8,238	**9,384**	8,238
Interest income from														
– Financial institution and loan receivables	**(53)**	(12)	**–**	–	**–**	–	**(2)**	–	**–**	–	**(211)**	(726)	**(266)**	(738)
– Investment deposits	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(8,594)	**–**	(8,594)
Change in fair value of financial assets designated as fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(3,716)**	289	**(3,716)**	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	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(4,975)**	(52,400)	**(4,975)**	(52,400)
(Gain) loss on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(430)**	1,054	**(430)**	1,054
Gain on disposal of available-for-sale investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(159)**	–	**(159)**	–
Impairment losses on														
– Available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	500	**–**	500
– Intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	2,261	**–**	2,261
– Amount due from an investee company	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	5,042	**–**	5,042
Written off of other receivables	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	987	**–**	987
Written back of long outstanding other payables and accruals	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1,405)**	–	**(1,405)**	–
Share of profits of associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2,428)**	–	**(2,428)**	–
Share of profits of jointly-controlled entities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1,094)**	(157)	**(1,094)**	(157)
Finance costs	**1,592**	2,447	**–**	–	**–**	–	**–**	–	**–**	–	**10,566**	12,059	**12,158**	14,506
Income tax expense	**–**	168	**–**	–	**–**	–	**–**	–	**–**	–	**–**	284	**–**	452

Information about major customers

For both years ended 31 March 2013 and 2012, 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 carried out in Hong Kong. Accordingly, no geographical information has been presented.

5. OTHER REVENUE

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Gain on disposal of available-for-sales financial assets	**159**	–
Gain on disposal of plant and equipment	**70**	–
Handling charges	**684**	248
Interest income from financial institutions	**266**	738
Interest income from investment deposit (note)	**–**	8,594
Loan arrangement fee income	**315**	–
Net exchange gain	**–**	6,096
Commission income	**–**	1,200
Referral income	**–**	3,055
Reversal of impairment loss on recognised in respect of trade receivables	**10,924**	–
Written back of long outstanding other payables and accruals	**1,405**	–
Sundry income	**733**	188
	14,556	20,119

Note: The interest income was arising from the investment deposits for the acquisition of 49% equity interest in a brokerage services company in 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.

6. IMPAIRMENT LOSSES

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Impairment losses on:		
Intangible assets	**–**	2,261
Available-for-sales financial assets	**–**	500
Trade receivables	**39,817**	62,967
Amount due from an investee company	**–**	5,042
	39,817	70,770

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank and other borrowings	**5,814**	8,865
Imputed interest expenses on convertible loan notes	**6,344**	5,641
	12,158	14,506

8. LOSS BEFORE TAX

	2013	2012
	HK$'000	*HK$'000*
Loss before tax from continuing operations has been arrived at after charging:		
Auditor's remuneration	**790**	750
Total staff costs:		
– directors' remuneration	**12,810**	12,392
– salaries and allowance	**30,385**	28,206
– retirement benefit scheme contributions (excluding directors)	**785**	659
	43,980	41,257
Loss on written off of plant and equipment	**60**	291
Written off of trade receivables	**491**	–
Written off of other receivables	**–**	987
Written off of loan receivables	**–**	2,000
Operating lease in respect of rented premises	**15,482**	17,611

9. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Current taxation		
Hong Kong Profits Tax		
– Provision for the year	**–**	258
– Under-provision in prior years	**–**	194
	–	452

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the both 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. DISCONTINUED OPERATION

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

The disposal of entire interests in EFL Group was completed on 31 May 2012. The operations of futures brokerage business carried out by the EFL Group up to the date of disposal were presented in the consolidated financial statements of the Group as discontinued operation.

The profit (loss) for the period/year from the discontinued operation is analysed as follows:

	1.4.2012- 31.5.2012 ***HK$'000***	1.4.2011- 31.3.2012 *HK$'000*
Loss on the discontinued operation for the period/year	**(420)**	(5,701)
Gain on disposal of subsidiaries (Note 17)	**3,007**	–
	2,587	(5,701)

The results of the discontinued operation were as follows:

	1.4.2012- 31.5.2012 ***HK$'000***	1.4.2011- 31.3.2012 *HK$'000*
Turnover	**7,835**	26,609
Cost of sales and services rendered	**(1,996)**	(10,846)
Gross profit	**5,839**	15,763
Other revenue	**88**	1,699
Net loss on trading of listed securities	**(269)**	(724)
Impairment losses	**–**	(724)
Other operating and administrative expenses	**(6,078)**	(21,715)
Loss before tax from discontinued operation	**(420)**	(5,701)
Income tax expense	**–**	–
Loss for the period/year	**(420)**	(5,701)

	1.4.2012-31.5.2012 *HK$'000*	1.4.2011-31.3.2012 *HK$'000*
Loss for the period/year from discontinued operation include the followings:		
Depreciation of plant and equipment	**142**	548
Impairment loss on trade receivables	**–**	724
Reversal of impairment loss on recognised in respect of trade receivables	**–**	(824)
Operating lease in respect of rented premises	**1,425**	5,611
Staff costs	**1,033**	6,912
Contribution to retirement benefit scheme	**30**	290

The cash flows of the discontinued operation were as follows:

	1.4.2012-31.5.2012 *HK$'000*	1.4.2011-31.3.2012 *HK$'000*
Net cash inflow (outflow) from operating activities	**3,649**	(2,999)
Net cash inflow from investing activities	**70**	38
Net cash (outflow) inflow from financing activities	**(3,104)**	3,911
Total cash inflow	**615**	950

The major classes of assets and liabilities of the EFL Group as at 31 March 2012, which have been presented separately in the consolidated statement of financial position, were as follows:

	HK$'000
Plant and equipment	2,373
Intangible assets	480
Other non-current assets	1,500
Trade receivables	32,632
Other receivables, deposits and prepayments	2,622
Bank balances and cash – trust	60,259
Bank balances and cash – general	8,646
Total assets reclassified as held for sale	108,512
Trade payables, other payables and accruals	94,346
Tax payable	630
Total liabilities associated with assets classified held for sale	94,976

The carrying amounts of assets and liabilities of EFL Group at the date of disposal are disclosed in note 17. As at 31 March 2012, an amount of approximately HK$28,000 relating to the disposal group classified as held for sale was recognised in other comprehensive income and accumulated in equity.

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

12. LOSS PER SHARE

For 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:

Loss	**2013**	2012
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(69,002)**	(69,602)
Change in fair value of derivative component of convertible loan notes	**–**	(52,862)
Loss for the purpose of diluted loss per share	**(69,002)**	(122,464)

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:

Number of shares	**2013**	2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of computation of basic loss per share	**3,166,086**	3,037,686
Options to subscribe for the optional convertible loan notes	**–**	800,000
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	**3,166,086**	3,837,686

Diluted loss per share was same as the basic loss per share for the year ended 31 March 2013, as the effect of the conversion of the Company's outstanding convertible loan notes would result in a decrease in loss per share for the year ended 31 March 2013.

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:

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(69,002)**	(69,602)
Less: profit (loss) for the period/year from discontinued operation (Note 10)	**2,587**	(5,701)
Loss for the year for the purpose of computation of basic loss per share from continuing operations	**(71,589)**	(63,901)
Change in fair value of derivative component of convertible loan notes	**–**	(52,862)
Loss for the purpose of diluted loss per share	**(71,589)**	(116,763)

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

From discontinued operation

Basic and diluted earnings per share for the discontinued operation for the year ended 31 March 2013 was HK$0.08 cents per share, based on the profit for the year from the discontinued operation attributable to the owners of the Company of approximately HK$2,587,000 and the denominators detailed above for basic and diluted earnings per share for the year ended 31 March 2013.

Basic and diluted loss per share for the discontinued operation for the year ended 31 March 2012 was HK$0.19 cents and HK$0.15 cents per share respectively, based on the loss for the year from the discontinued operation attributable to the owners of the Company of approximately HK$5,701,000.

13. TRADE RECEIVABLES

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

	2013	2012
	HK$'000	*HK$'000*
Trade receivables from the business of dealing in securities:		
– Cash clients	**8,207**	6,680
– Hong Kong Securities Clearing Company Limited	**2,846**	–
– Margin clients	**242,370**	273,965
Trade receivables from other businesses	**1,454**	2,749
	254,877	283,394
Less: Impairment losses recognised	**(101,781)**	(72,989)
	153,096	210,405

The settlement terms of trade receivable, except for secured margin clients, arising from the business of dealing in securities are two days after trade date. The Group allows an average credit period of 30 days to its trade customers of other businesses.

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 as at the end of the reporting period based on the invoice date which approximated the respective revenue recognition dates was as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 30 days	**10,074**	2,375
31 to 60 days	**203**	305
61 to 90 days	**440**	60
Over 90 days	**1,059**	4,382
	11,776	7,122

Trade receivables to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$335,177,000 (2012: HK$513,837,000) 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 2013 and as included in the total trade receivables, approximately HK$142,192,000 (2012: HK$207,756,000) was interest bearing whereas approximately HK$10,904,000 (2012: HK$2,649,000) was non-interest bearing. There is no repledge of the collateral from margin clients on both years.

In determining the recoverability of the trade receivables, the Group considers that 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 from cash clients are debtors with aggregate carrying amount of approximately HK$2,909,000 (2012: HK$6,532,000) which was past due as at 31 March 2013 for which the Group has not provided for impairment loss.

In respect of trade receivables (excluded margin clients) which are past due but not impaired at the respective end of reporting period, the aged analysis (subsequent to the settlement date) is as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 30 days	**1,251**	2,323
31 to 60 days	**162**	305
61 to 90 days	**262**	60
Over 90 days	**1,234**	3,844
	2,909	6,532

Trade receivables from cash clients 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$39,470,000 over these balances (2012: HK$111,356,000).

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

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**72,989**	16,495
Amounts written off as uncollectible	**(101)**	–
Reclassified as assets held for sale	**–**	(6,373)
Reversal of impairment loss recognised	**(10,924)**	(824)
Recognised impairment loss during the year	**39,817**	63,691
Balance at end of the year	**101,781**	72,989

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$101,781,000 (2012: HK$72,989,000) was individually impaired trade debtors who were in financial difficulties. During the year ended 31 March 2013, trade receivables of approximately HK$491,000 (2012: nil) were directly written off due to the directors of the Company considered that the recoverability of those trade receivables is remote.

14. LOAN RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Secured loan receivables	**14,471**	10,016
Unsecured loan receivables	**14,977**	45,254
	29,448	55,270

The secured loan receivables are secured by the equity shares of a listed company and an unlisted company (2012: equity shares of an unlisted company) and bear interest at a fixed interest rate at 8% to 23% (2012: 12%) per annum.

The unsecured loan receivables carried at 25% (2012: 20% to 25%) interest rate per annum. All unsecured loan receivables are guaranteed by a substantial shareholder and/or an independent third party as at 31 March 2013.

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:

	2013	2012
	HK$'000	*HK$'000*
Less than 30 days	**452**	45,254
31 to 60 days	**9,132**	–
61 to 90 days	**76**	–
Over 90 days	**19,788**	10,016
	29,448	55,270

Included in the Group's loan receivables balance are debtors with aggregate carrying amount of approximately HK$4,810,000 (2012: nil) which was past due as at 31 March 2013 for which the Group has not provided for impairment loss.

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

During the year ended 31 March 2012, unsecured loan receivable to an independent third party of HK$2,000,000 was written off due to the directors of the Company considered that the recoverability of the receivable was remote.

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2013	2012
	HK$'000	*HK$'000*
Trade payables from the business of dealing in securities:		
– Margin and cash clients	**68,262**	35,929
Other payables and accruals	**6,375**	7,538
	74,637	43,467

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

As at 31 March 2013, the Group had other payables and accruals of approximately HK$667,000 (2012: nil) which was denominated in USD.

16. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each at 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	5,000,000	500,000
Issued and fully paid:		
At 1 April 2011	2,512,023	251,202
Issue of shares (note (a))	150,000	15,000
Conversion of convertible loan notes (note (b))	492,063	49,207
Exercise of share warrants	12,000	1,200
At 31 March 2012, 1 April 2012 and 31 March 2013	3,166,086	316,609

Notes:

(a) Pursuant to a conditional placing agreement dated 12 May 2011 between the Company and Fortune (HK) Securities Limited ("**F(HK)SL**"), a wholly-owned subsidiary of the Company, F(HK)SL agreed to place 150,000,000 new shares at the price of HK$0.33 per placing share. These new shares were issued under the general mandate granted at the annual general meeting of the Company held on 15 June 2011. All conditions of the placing agreement have been fulfilled and completion of the placing agreement took place on 14 July 2011. Details of the transaction were set out in the Company's announcement dated 14 July 2011.

(b) On 7 April 2011, the 2012 Convertible Notes E note holders converted HK$51,200,000 into 320,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 4 May 2011, 20 February 2012 and 22 February 2012, the 2012 Convertible Notes A note holders converted HK$4,000,000, HK$4,000,000 and HK$4,000,000 into 40,000,000, 40,000,000 and 40,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10 respectively.

On 11 May 2011, the 2012 Convertible Notes D note holders converted HK$2,450,000 into 15,313,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 24 May 2011, the 2012 Convertible Notes C note holders converted HK$5,880,000 into 36,750,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

All new shares issued during the year ended 31 March 2012 ranked pari passu in all respects with other shares in issue.

17. DISPOSAL OF SUBSIDIARIES

(a) As mentioned in note 10, the Group entered into an agreement to dispose of its entire equity interests in EFL Group to New Century Excalibur Holdings Limited ("**New Century**"), an independent third party to the Group. The completion of the disposal took place on 31 May 2012, upon which EFL Group ceased to be subsidiaries of the Group.

	HK$'000
Consideration received:	
Cash received	15,880

Analysis of assets and liabilities over which control was lost:

	HK$'000
Plant and equipment	2,231
Intangible assets	480
Other non-current assets	1,572
Trade and other receivables	32,463
Bank balances and cash – trust	51,707
Bank balances and cash – general	9,261
Trade and other payables	(83,820)
Tax payables	(630)
Net assets disposed of	13,264
Gain on disposal of subsidiaries:	
Consideration received	15,880
Net assets disposed of	(13,264)
Release of translation reserve	391
Gain on disposal	3,007
Net cash inflow arising on disposal:	
Cash consideration	15,880
Less: bank balances and cash disposed of	(9,261)
	6,619

(b) On 21 January 2013, the Group disposed of its entire equity interest in Major Chance Limited ("**Major Chance**") at a cash consideration of HK$300,000 to Splendid Diamond Holdings Limited, an independent third party. Major Chance is inactive during the period ended 21 January 2013.

	HK$'000
Consideration received:	
Cash received	300

Analysis of liabilities over which control was lost:

	HK$'000
Other payables	130
Gain on disposal of subsidiaries:	
Consideration received	300
Net liabilities disposed of	130
Gain on disposal	430
Net cash inflow arising on disposal:	
Cash consideration	300

No cash flow contributed by Major Chance for the year ended 31 March 2013 and 2012.

(c) On 9 September 2011, the Group disposed of its 100% interests in General Win International Limited and its subsidiary (collectively, the "**General Win Group**") and an interest-free on-demand loan of approximately HK$41,411,000 due to the Group ("**General Win Loan**") at a consideration of HK$3 to an independent third party.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Plant and equipment	774
Other receivables, deposits and prepayments	1,302
Bank balances and cash – general	347
General Win Loan	(41,411)
Other payables and accrued charges	(429)
Provision	(940)
Net liabilities disposed of	(40,357)

Loss on disposal of subsidiaries:

Consideration received	–
Net liabilities disposed of	40,357
Assignment of General Win Loan	(41,411)
Loss on disposal of subsidiaries	(1,054)
Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Bank balances and cash – general disposed of	347

The disposed subsidiaries contributed approximately cash outflow of approximately HK$3,546,000 in respect of operating activities for the year ended 31 March 2012.

18. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for a term ranging from three months to three years and rentals are fixed at the inception of lease. No provision for contingent rent and terms of renewal were established in the leases.

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:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**15,603**	16,694
In the second to fifth years, inclusive	**1,623**	14,615
	17,226	31,309

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2013, the turnover of the Group's continuing operations decreased slightly by 1.15% to approximately HK$46,810,000 (2012: approximately HK$47,354,000). Income from proprietary trading and corporate finance and interest income from money lending has increased. However, the brokerage income and margin interest income slipped as a result of the decreasing turnover of Hong Kong securities market, offsetting the increase in income from proprietary trading and corporate finance and interest income from money lending. Profit of approximately HK$2,587,000 (2012: loss of approximately HK$5,701,000) was recorded from the discontinued operation following the disposal of entire equity interest in EFL Group on 31 May 2012. Due to the reduction in brokerage commission income and margin interest income from securities business, decrease in gain in change of fair value of derivative component of convertible loan notes and the impairment of margin loan receivables, the Group's loss attributable to the owners of the Company for the year was approximately HK$69,002,000, as compared to the loss attributable to the owners of the Company of approximately HK$69,602,000 in last year.

On 22 August 2012, the Group acquired 25% of equity interest in China Runking Financing Group Holdings Limited (formerly known as "**Media Eagle Limited**") ("**China Runking**") in order to develop the microfinance services in the PRC and was assigned with the interest-free on-demand loan of US$7,500,000 owed by China Runking upon exercise of the Exchangeable Note. Details of the acquisition disclosed in the section headed "Significant Investment".

REVIEW OF OPERATIONS

Broking and margin financing

During the year, triggered by the unresolved European debt issue and the tightening of monetary policy in China, the market sentiment remained weak although the Hang Seng Index exhibited gradual pick-up. Due to the pessimistic market sentiment, the Group recorded revenue of approximately HK$25,271,000 from brokerage and margin financing business, representing a decrease of 47.36% as compared to the revenue of approximately HK$48,011,000 last year.

The Group's strategy is to focus and strengthen existing securities operation of Fortune (HK) Securities Limited, a wholly-owned subsidiary of the Company and work in close collaboration with its Shenzhen representative office to explore cross border business opportunities in securities trading and placement.

Proprietary trading

During the year, all securities traded were shares listed on the Stock Exchange. The proprietary trading business achieved a turnaround for the year with turnover increasing to approximately HK$3,607,000 (2012: trading loss of securities amounting to approximately HK$13,697,000) and recorded a profit of approximately HK$2,729,000 (2012: loss of approximately HK$13,697,000). The increase in turnover and the profit during the year was attributed to the high volatility of the securities market.

Corporate finance

The corporate finance division is licensed under the Securities and Futures Ordinance to provide various corporate financial services. Apart from IPO-related services, the Group offers secondary market financial services, such as placing, right issue and advisory services on corporate transactions including merger and acquisition.

With the commencement of the new business in corporate finance in 2012, the Group continues to allocate more resources to develop the corporate finance division for satisfying the needs of its customers. During the year, the Group recorded revenue of approximately HK$6,535,000 (2012: approximately HK$2,328,000) from the corporate finance division.

Money lending

The performance of money lending business continued to be encouraging. The Group has been benefitting from a continual increase in interest income. During the year, the Group recorded interest income from money lending of approximately HK$9,472,000, representing an increase of 20.80% as compared to the revenue of approximately HK$7,841,000 in the last year.

Other businesses

During the year, the Group recorded revenue from other business operations in the areas of financial communication service and other consultancy service of approximately HK$6,126,000 (2012: approximately HK$6,390,000). The Group aims to provide its clients with diversified products and services to suit their varying needs.

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

Discontinued operation

The Group disposed of its entire equity interest in EFL Group to New Century in May 2012. The operation of the futures brokerage business carried out by EFL Group up to the date of disposal is presented in the consolidated financial statements of the Group for the year as discontinued operation.

PROSPECTS

Uncertainties over the European sovereign debt and U.S. fiscal cliff motion have entailed instable factors to global economic recovery. It is expected that the macroeconomic environment in 2013 would remain challenging and the world's second largest economy China may be able to maintain a moderate economic growth.

With the gradual internationalization of RMB, Hong Kong, relying on its international financial center status, has become China's window to the outside world. This on one hand isolates the impact of international financial fluctuations on the domestic market and helps regulate the scale and pace of RMB's going out, and brings infinite business opportunities to Hong Kong's financial services industry on the other.

In addition, in 2012, China's State Council promulgated the Opinion of the State Council on Further Supporting the Healthy Development of Micro-To-Small Scale Enterprises ("**SMEs**") (State Council Doc. No. [2012] 014) and enacted a series of measures to help SMEs fill the financing gap. Data released by the People's Bank of China shows that as of the end of March 2013, there are 6,555 small loan companies country wide, with the loan amount at 635.7 billion (RMB, same below); the number of newly established loan companies within the past three months is 475, with the cumulative new loans of 43.4 billion. The Group believes that this microfinance market has great potentials, so we will continue to expand businesses in this field, to grasp opportunities and find better profit contributors.

Looking ahead, the Group will further consolidate and improve existing financial services platforms while actively promoting various professional financial services. We aim to become a major integrated financial services provider in the Greater China region and bring substantial returns for our shareholders.

CAPITAL STRUCTURE

As at 31 March 2013, the total issued shares (the "**Shares**") capital of the Company was approximately HK$316,609,000, comprising 3,166,085,668 Shares of HK$0.10 each.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to its capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures that 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 of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

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, which comprises issued share capital and reserves.

The Directors review the capital structure regularly. As part of the review, the Directors consider the cost of capital and the associated risks with each class of capital, 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 2013 and 2012.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission (the "**SFC**") and are required to comply with certain minimum capital requirements according to the rules of SFC. Our management monitors, on a daily basis, the subsidiaries' liquid capital to ensure that it meets the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules. The range of liquid capital is from HK$100,000 to HK$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

One 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.

There is no non-compliance of the capital requirements of the Group members imposed by the respective regulators during the years ended 31 March 2013 and 2012.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

During the year, the Group mainly financed its operations by cash generated from operations and short-term bank and other borrowings.

As at 31 March 2013, the Group's total current assets and current liabilities were approximately HK$447,295,000 (as at 31 March 2012: approximately HK$488,969,000) and approximately HK$128,311,000 (as at 31 March 2012: approximately HK$137,335,000) respectively, while the current ratio was about 3.49 times (as at 31 March 2012: about 3.56 times).

As at 31 March 2013, the Group's aggregate cash and bank balance amounted to approximately HK$43,535,000 (as at 31 March 2012: approximately HK$69,251,000), representing approximately 9.73% (as at 31 March 2012: approximately 14.16%) of total current assets. 54% and 45% of cash and bank balance are denominated in Hong Kong Dollars and United States Dollars, respectively. The rest of cash and bank balance are denominated in RMB.

As at 31 March 2013, the Group had bank and other borrowings HK$52,954,000 (as at 31 March 2012: approximately HK$54,328,000). Other borrowings 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. During the year, no financial instruments were used for hedging purposes.

As at 31 March 2013, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 37.92% (as at 31 March 2012: 35.63%).

As at 31 March 2013, the debt ratio, defined as total debts over total assets, was approximately 39.54% (as at 31 March 2012: 43.03%). The decrease in the ratio was mainly due to the completion of the disposal of EFL Group during the year.

SIGNIFICANT INVESTMENT

During the year ended 31 March 2012, Gold Kingdom Holdings Limited ("**Gold Kingdom**"), a wholly-owned subsidiary of the Company, subscribed 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 company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The Exchange Note bears 12% interest per annum with maturity on 15 November 2012. On 22 August 2012, Gold Kingdom acquired 25% of equity interest in China Runking and was assigned with the interest-free on-demand loan of US$7,500,000 owed by China Runking upon exercise of the exchangeable rights attaching to the Exchangeable Note.

As at 31 March 2013, the Group held financial asset at fair value through profit or loss amounted to approximately HK$22,842,000 (as at 31 March 2012: approximately HK$14,915,000).

MATERIAL ACQUISITION AND DISPOSAL

In July 2011, Fortune Financial Holdings Limited ("**Fortune Financial**"), a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with New Century pursuant to which Fortune Financial has agreed to dispose of its entire interest in EFL Group to New Century at the consideration of HK$15,880,000. The transaction constituted major and connected transactions of the Company, details of which were published in the Company's announcement dated 29 July 2011. The disposal was completed on 31 May 2012.

Other than the acquisition of 25% equity interest in China Runking as disclosed in the section headed "Significant Investment" above and completion of the disposal of EFL Group, there was no material acquisition or disposal of the Group during the year ended 31 March 2013.

EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 March 2013, amount due from associates of HK$58,403,000 as at 31 March 2013 has been reclassified as interests in associates due to the capitalisation of the amount due as share capital of China Runking.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 March 2013 (2012: Nil).

CHARGE ON THE GROUP'S ASSET

No asset of the Group was subject to any change as at 31 March 2013 (2012: Nil).

RISK MANAGEMENT

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

FOREIGN CURRENCY FLUCTUATION

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

HUMAN RESOURCES

At as 31 March 2013, the Group had 74 employees in total (2012: 128). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company's commitment to the highest standards of corporate governance is driven by the Board who, assumes overall responsibility for the governance of the Group, taking into account the interests of the Company's shareholders, the development of its business, and the changing external environment. The Company believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its shareholders.

The Company has adopted the code provisions of the Corporate Governance Code (the "**C G Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the year ended 31 March 2013, the Company has complied with all code provisions of the C G Code and, where appropriate, met the recommended best practices set out in the C G Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transaction. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code throughout the year.

REVIEW OF FINANCIAL INFORMATION

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 audited consolidated financial statements and annual results of the Company for the year ended 31 March 2013.

PUBLICATION OF THE ANNUAL REPORT

The annual report for the year will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.290.com.hk in due course.

By Order of the Board
China Fortune Financial Group Limited
NG Cheuk Fan Keith
Managing Director

Hong Kong, 13 June 2013

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.