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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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board (the "**Board**") of directors (the "**Directors**") of China Fortune Financial Group Limited (the "**Company**") announces the condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2013 (the "**Period**") together with the comparative figures for the corresponding period in 2012. The Group's interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Turnover	*3*	**18,682**	25,107
Cost of securities brokerage and margin financing		**(1,510)**	(1,449)
Other revenue	*5*	**1,540**	1,319
Depreciation		**(2,977)**	(2,866)
Salaries and allowances		**(23,146)**	(20,986)
Change in fair value of financial assets designated as fair value through profit or loss		**(1,129)**	3,716
Change in fair value of derivative component of convertible loan notes		**(2,104)**	4,732
Reversal of impairment loss on trade receivables		**16,137**	3,295
Impairment losses recognised in respect of trade receivables		**(8,160)**	(24,936)
Other operating and administrative expenses		**(18,108)**	(19,560)
Share of profits of associates		**1,068**	759
Share of profits (losses) of jointly-controlled entities		**1,994**	(122)
Finance costs	*6*	**(6,670)**	(5,741)

	Notes	Six months ended 30 September **2013** *HK$'000* **(Unaudited)**	2012 *HK$'000* (Unaudited)
Loss before tax	*7*	**(24,383)**	(36,732)
Income tax expense	*8*	**(76)**	–
Loss for the Period from continuing operations		**(24,459)**	(36,732)
Discontinued operations			
Profit for the Period from discontinued operations	*9*	**–**	2,587
Loss for the Period		**(24,459)**	(34,145)
Loss for the Period attributable to:			
Owners of the Company		**(24,278)**	(33,979)
Non-controlling interests		**(181)**	(166)
		(24,459)	(34,145)
		HK cents	*HK cents*
Loss per share	*11*		
From continuing and discontinued operations			
Basic and diluted		**(0.71)**	(1.07)
From continuing operations			
Basic and diluted		**(0.71)**	(1.07)

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the Period	**(24,459)**	(34,145)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive income of associates	**1,071**	25
Share of other comprehensive income of jointly-controlled entities	**13**	14
Reclassification adjustments for the cumulative gains included in condensed consolidated statement of profit or loss and other comprehensive income upon disposal of foreign subsidiaries	**–**	(391)
Exchange differences arising from capitalisation of amount due from associates	**97**	–
Exchange differences arising on translation of foreign operations	**236**	374
Other comprehensive income for the Period	**1,417**	22
Total comprehensive expense for the Period	**(23,042)**	(34,123)
Total comprehensive expense for the Period attributable to:		
Owners of the Company	**(22,863)**	(33,959)
Non-controlling interests	**(179)**	(164)
	(23,042)	(34,123)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
Non-current assets			
Plant and equipment		**6,532**	9,482
Intangible assets		**–**	–
Club membership debentures		**6,610**	6,610
Other non-current assets		**230**	230
Goodwill		**3,994**	3,994
Available-for-sale financial assets		**–**	8
Interest in associates		**74,822**	14,183
Interests in jointly-controlled entities		**11,391**	9,384
Deposits		**3,345**	3,345
		106,924	47,236
Current assets			
Investments held for trading		**25,573**	22,842
Trade receivables	*12*	**145,460**	153,096
Loan receivables	*13*	**16,850**	29,448
Amounts due from associates		**–**	58,403
Amounts due from jointly-controlled entities		**70,000**	70,000
Other receivables, deposits and prepayments		**4,059**	2,429
Derivative component of convertible loan notes		**4,717**	6,821
Amount due from a non-controlling shareholder of a subsidiary		**125**	125
Bank balances and cash – trust		**52,472**	60,596
Bank balances and cash – general		**47,938**	43,535
		367,194	447,295

	Notes	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
Current liabilities			
Trade payables, other payables and accruals	*14*	**70,610**	74,637
Bank and other borrowings		**30,000**	52,954
Tax payable		**720**	720
		101,330	128,311
Net current assets		**265,864**	318,984
Total assets less current liabilities		**372,788**	366,220
Capital and reserves			
Share capital	*15*	**341,839**	316,609
Reserves		**(40,486)**	(17,623)
Equity attributable to owners of the Company		**301,353**	298,986
Non-controlling interests		**(175)**	4
Total equity		**301,178**	298,990
Non-current liability			
Convertible loan notes		**71,610**	67,230
		372,788	366,220

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") and interpretations (herein after collectively referred to as "**new and revised HKFRSs**") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Hong Kong (International Financial Reporting Interpretations Committee ("**IFRIC**")) – Interpretation ("**Int**") 20	Stripping Costs in the Production Phase of a Surface Mine

Except as disclosed below, the application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for 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 additional disclosures to be made in the other comprehensive 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 same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (the "**CODM**") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The Directors of the Company considered that there has been no material change from the total assets and liabilities disclosed in the last annual financial statements for any reportable segments and accordingly such information is not presented.

3. TURNOVER

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Dividend income	**148**	217
Income from securities and insurance brokerage business	**3,549**	5,348
Interest income from money lending business	**2,635**	5,187
Margin interest income from securities brokerage business	**6,459**	9,373
Net (loss) gain on trading of listed securities	**(248)**	2,092
Other consultancy and subscription service income	**639**	830
Service income from corporate finance	**5,500**	2,060
	18,682	25,107

4. 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 brokerage 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; and

(5) Others.

The following is an analysis of the Group's turnover and results from continuing operations by reportable segments:

For the six months ended 30 September 2013

Continuing operations

	Brokerage and margin financing *HK$'000*	Proprietary trading *HK$'000*	Corporate finance *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Turnover							
External turnover	10,008	(100)	5,500	2,635	639	–	18,682
Inter-segment turnover *(note)*	378	–	50	–	1,887	(2,315)	–
	10,386	(100)	5,550	2,635	2,526	(2,315)	18,682
Segment profit (loss)	8,603	(100)	(369)	2,844	(1,158)	–	9,820
Unallocated operating income							76
Unallocated operating expense							(27,438)
Change in fair value of financial assets designated as fair value through profit or loss							(1,129)
Change in fair value of derivative component of convertible loan notes							(2,104)
Share of profits of associates							1,068
Share of profits of jointly-controlled entities							1,994
Finance costs							(6,670)
Loss before tax							(24,383)

For the six months ended 30 September 2012

Continuing operations

	Brokerage and margin financing	Proprietary trading	Corporate finance	Money lending	Others	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
External turnover	14,721	2,309	2,060	5,187	830	–	25,107
Inter-segment turnover *(note)*	8	–	41	–	1,855	(1,904)	–
	14,729	2,309	2,101	5,187	2,685	(1,904)	25,107
Segment profit (loss)	(18,458)	2,207	(3,165)	2,405	(2,945)	–	(19,956)
Unallocated operating income							1,154
Unallocated operating expense							(21,274)
Change in fair value of financial assets designated as fair value through profit or loss							3,716
Change in fair value of derivative component of convertible loan notes							4,732
Share of profits of associates							759
Share of losses of jointly-controlled entities							(122)
Finance costs							(5,741)
Loss before tax							(36,732)

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

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) attributable to each segment without allocation of administrative expenses, directors' salaries, change in fair value of financial assets designated as fair value through profit or loss, change in fair value of derivative component of convertible loan notes, share of profits of associates, share of profits (losses) of jointly-controlled entities, finance costs, interest income from financial institutions 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 by reportable and operating segments:

	At 30 September 2013	At 31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment assets		
Brokerage and margin financing	**202,536**	200,254
Proprietary trading	**41,792**	22,842
Corporate finance	**8,209**	5,081
Money lending	**16,850**	29,448
Others	**619**	684
Total segment assets	**270,006**	258,309
Unallocated	**204,112**	236,222
Consolidated total assets	**474,118**	494,531
Segment liabilities		
Brokerage and margin financing	**84,289**	73,917
Corporate finance	**881**	117
Money lending	**100**	–
Others	**108**	603
Total segment liabilities	**85,378**	74,637
Unallocated	**87,562**	120,904
Consolidated total liabilities	**172,940**	195,541

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 associates, interests in jointly-controlled entities, available-for-sale financial assets, amounts due from jointly-controlled entities and associates, 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 and bank balances and cash – general.

- 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.

5. OTHER REVENUE

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Continuing operations		
Handling charges	**630**	449
Interest income on financial institutions	**28**	254
Gain on disposal of available-for-sales financial assets	**–**	159
Gain on disposal of plant and equipment	**15**	127
Net exchange gain	**13**	–
Loan arrangement fee income	**–**	245
Sundry income	**854**	85
	1,540	1,319

6. FINANCE COSTS

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Continuing operations		
Interest on bank and other borrowings – wholly repayable within five years	**2,290**	2,387
Imputed interest expenses on convertible loan notes	**4,380**	3,354
	6,670	5,741

7. LOSS BEFORE TAX

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Continuing operations		
Loss before tax from continuing operations has been arrived at after charging:		
Written off of plant and equipment	**–**	60
Written off of trade receivables	**–**	491
Operating lease in respect of rented premises	**7,841**	7,686
Staff costs, including Directors' remuneration	**22,644**	20,632
Retirement benefit scheme contributions	**502**	354

8. INCOME TAX EXPENSE

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Continuing operations		
Current tax		
Hong Kong Profits Tax		
– Under provision for prior period	**76**	–

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the six months ended 30 September 2013 and 2012.

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 six months ended 30 September 2013 and 2012.

9. DISCONTINUED OPERATIONS

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 Future Limited ("**EFL**") and its subsidiaries (collectively referred to as "**EFL Group**"), which was engaged in the future brokerage business and included in brokerage and margin financing segment, to New Century Excalibur Holdings Limited ("**New Century**"), an independent third party to the Group, for a consideration of HK$15,880,000.

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

The results and cash flows of the discontinued operations included in the condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows are set out below.

The profit for the six months ended 30 September 2012 is analysed as follows:

	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Loss on the discontinued operation for the period	(420)
Gain on disposal of subsidiaries	3,007
	2,587

	Six months ended 30 September 2012 *HK$'000* (Unaudited)
Discontinued operations	
Turnover	7,835
Cost of sales and services rendered	(1,996)
Gross profit	5,839
Other revenue	88
Loss on disposal of investments held for trading	(269)
Other operating and administrative expenses	(6,078)
Loss before tax from discontinued operations	(420)
Income tax expense	–
Loss for the period	(420)
Loss for the period from discontinued operation included the following:	
Depreciation	142
Operating lease in respect of rented premises	1,425
Staff costs	1,033
Contribution to retirement benefit scheme	30

The cash flows of the discontinued operation were as follows:

Net cash inflow from operating activities	3,649
Net cash inflow from investing activities	70
Net cash outflow from financing activities	(3,104)
Total cash inflow	615

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors of the Company do not recommend the payment of interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

11. LOSS PER SHARE

For continuing and discontinued operations

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of diluted loss per share	**(24,278)**	(33,979)

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:

	At 30 September 2013	At 30 September 2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	**3,418,386**	3,166,086

From continuing operations

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the Period attributable to owners of the Company	**(24,278)**	(33,979)
Less: profit for the period from discontinued operations *(note 9)*	**–**	2,587
Loss for the Period for the purpose of computation of basic and diluted loss per share from continuing operations	**(24,278)**	(36,566)

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

From discontinued operations

Basic and diluted earnings per share for the discontinued operations for the six months ended 30 September 2012 was HK$0.08 cents per share, based on the profit for the period from the discontinued operations 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 six months ended 30 September 2012.

12. TRADE RECEIVABLES

	At 30 September 2013	At 31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables from the business of dealing in securities		
– Cash clients	**1,934**	8,207
– Hong Kong Securities Clearing Company Limited	**14,910**	2,846
– margin clients	**215,909**	242,370
Trade receivables from other businesses	**6,511**	1,454
	239,264	254,877
Less: Impairment losses recognised	**(93,804)**	(101,781)
	145,460	153,096

The settlement terms of trade receivable, except for secured margin clients, arising from the business of dealing in securities are two days after the trade date.

The Group allows a credit period of 30 days (31 March 2013: 30 days) to its trade receivables from other business.

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

	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
Less than 30 days	**19,457**	10,074
31 to 60 days	**233**	203
61 to 90 days	**51**	440
Over 90 days	**2,391**	1,059
	22,132	11,776

Trade receivables in relation to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$1,208,816,000 (31 March 2013: HK$335,177,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. There is no repledge of the collateral from margin clients in the Period/year.

Movements in the impairment loss of trade receivables in aggregate during the Period/year are as follow:

	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
Balance at the beginning of Period/year	**101,781**	72,989
Amounts written off as uncollectible	**–**	(101)
Reversal of impairment loss recognised	**(16,137)**	(10,924)
Recognised impairment loss during the Period/year	**8,160**	39,817
	93,804	101,781

13. LOAN RECEIVABLES

	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
Secured loan receivables	**11,460**	14,471
Unsecured loan receivables	**5,390**	14,977
	16,850	29,448

The secured loan receivables are secured by the equity shares of a listed company and an unlisted company and an unlisted warrants and bear interest at a fixed interest rate ranging from 8% to 10% per annum (31 March 2013: ranging from 8%-23% per annum).

The unsecured loan receivables bear an interest rate at 25% per annum (31 March 2013: 25% per annum).

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:

	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
Less than 30 days	**8,128**	452
31-60 days	**124**	9,132
61-90 days	**124**	76
Over 90 days	**8,474**	19,788
	16,850	29,448

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

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2013 *HK$'000* (Unaudited)	At 31 March 2013 *HK$'000* (Audited)
Trade payables from the business of dealing in securities:		
– margin and cash clients	**67,135**	68,262
Other payables and accruals	**3,475**	6,375
	70,610	74,637

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, the ageing analysis does not give additional value in the view of the nature of business of margin financing.

As at 30 September 2013, the Group had other payables and accruals of approximately HK$694,000 (31 March 2013: HK$667,000) which were denominated in USD.

15. SHARE CAPITAL

	Number of Shares	Amount *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2012 (audited), 31 March 2013 (audited) and 30 September 2013 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2012 (audited) and 31 March 2013 (audited)	3,166,086,000	316,609
Issue of shares *(note a)*	252,300,000	25,230
At 30 September 2013 (unaudited)	**3,418,386,000**	**341,839**

Note:

(a) Pursuant to a conditional placing agreement dated 18 July 2013 between the Company and Fortune (HK) Securities Limited ("**F(HK)SL**"), a wholly-owned subsidiary of the Company, as the placing agent for which F(HK)SL agreed to place a maximum of 300,000,000 new shares at the price of HK$0.10 per placing share. All conditions of the placing have been fulfilled and completion of the placing took place on 1 August 2013. The 252,300,000 placing shares have been successfully placed by F(HK)SL to not fewer than six placees at the placing price of HK$0.1 per placing share pursuant to the terms and conditions of the placing agreement.

All new shares issued during six months ended 30 September 2013 ranked pari passu in all respects with other shares in issue.

16. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases certain of its office premises under operating lease arrangements. Lease 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 lease.

At the end of each of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2013 *HK$'000* **(Unaudited)**	At 31 March 2013 *HK$'000* (Audited)
Within one year	**10,988**	15,603
In the second to fifth years, inclusive	**2,134**	1,623
	13,122	17,226

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The global economy showed signs of gradual recovery due to the ease of global financial tensions, especially in Europe and the United States. However, market competition has been increasingly intense and commission rates of the brokerage business have continued declining. The Group's principal activities inevitably suffered. The turnover of the Group's decreased by 25.59% to approximately HK$18,682,000 (2012: HK$25,107,000). The decrease in our revenue was attributable to the reduction in brokerage commission income and margin interest income from securities brokerage business and interest income from loan receivables. On the other hand, during the Period, we have tightened our margin credit policy and put efforts to recover the impairment loss on margin loan. As a result of our efforts, the reversal of impairment loss on trade receivables increased from approximately HK$3,295,000 for the corresponding period in 2012 to approximately HK$16,137,000 and the impairment losses recognised in respect of trade receivables decreased from approximately HK$24,936,000 for the corresponding period in 2012 to approximately HK$8,160,000. Due to the combined effect of decrease in turnover and increase in net gain on reversal of impairment loss on trade receivables, the Group's loss attributable to the owners of the Company was decreased by 28.55% to approximately HK$24,278,000 for the Period, as compared to loss attributable to the owners of the Company of approximately HK$33,979,000 for the corresponding period in 2012.

Review of Operations

Brokerage and margin financing

During the Period, as a result of intense market competition and tightening credit policy, the Group's revenue from brokerage and margin financing business dragged down to approximately HK$10,386,000, representing a decrease of 29.49% as compared to the revenue of approximately HK$14,729,000 for the corresponding period in 2012.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our wealth management business targeting at high-end customers in order to differentiate between our one-stop integrated financial services business and other securities house.

Proprietary trading

During the Period, all the securities traded are shares listed on The Stock Exchange of Hong Kong Limited. Stocks in Hong Kong showed volatility during the Period. This segment recorded net losses on trading of securities of HK$248,000 and dividend income of HK$148,000, as compared to net gains on trading of listed securities of HK$2,092,000 and dividend income of HK$217,000 for the corresponding period in 2012.

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 financing advisory services, such as placing, rights 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 has continued to allocate more resources to develop the corporate finance division for satisfying the needs of the customers. During the Period, the corporate finance division recorded revenue of approximately HK$5,550,000 (2012: HK$2,101,000).

Money lending

During the Period, the Group recorded interest income from loan receivables of approximately HK$2,635,000 (2012: HK$5,187,000), representing a drop of 49.2% compared with the corresponding period in 2012.

Other businesses

During the Period, the Group recorded revenue from other business operations in the areas of financial communication service and other consultancy service of approximately HK$2,526,000, representing a slightly decrease of 5.92% as compared to the revenue of approximately HK$2,685,000 for the corresponding period in 2012. The Group aims at providing its clients with diversified products and services to suit their varying needs.

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

Prospects

In the first half of 2013, the global economy continued to suffer from the potential tapering of quantitative easing in the United States, as well as the economic recession in the Eurozone due to the heightened sovereign debt challenges. As a result, the financial markets in the mainland and Hong Kong were volatile.

Despite the unstable market sentiment, as the China's gateway to the world's economy and trade, Hong Kong still enjoys an edge in the cross-border financial business. During the Period, the Group has continued to identify opportunities actively in this difficult market environment. The Group aimed to increase its market share by expanding its business scope in different areas, and strives to provide clients with one-stop integrated financial services. Its effort was proven with satisfactory performance achieved by its corporate finance business.

Looking ahead to the second half year, the "Stabilising Growth" measures carried out by the Chinese government started to take effect. The economic data released in October 2013 illustrated that the economy has gained momentum, the market is optimistic that the goal of 7.5% growth in the national GDP of this year can be achieved. It's expected that more financial reform policies will be announced after the Third Plenary Session to boost the market recovery in Mainland China and Hong Kong. Meanwhile, the global economy remains uncertain due to the huge unsettled debt issue in Europe and the United States, the Group will continue to be proactive and prudent for the upcoming opportunities and challenges.

The initial public offering (IPO) market in Hong Kong is recovering this year. According to a market survey, as at 31 October 2013, 60 companies had completed listing on the Stock Exchange while the amount of funds raised reached HK$70.5 billion, representing an increase of 17.6% and 44.2% respectively. The Group will continue to strengthen its corporate finance and financial advisory services in order to achieve better results.

In addition, China's microfinance market continued to grow rapidly. According to the People's Bank of China, as at the end of September 2013, there were a total of 7,398 small loan operators with loan balances of RMB753.4 billion in the PRC. In order to capture this huge microfinance market, we will continue to allocate resources to further develop our microfinance business, aiming to bring contribution to the Group.

Looking ahead, the Group strives to become a major financial services provider in the Greater China region with rewarding returns to shareholders, by further strengthening its existing financial services platform, and introducing various professional financial businesses proactively.

Capital Structure

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

A conditional placing agreement dated 18 July 2013 was entered between the Company and Fortune (HK) Securities Limited ("**F(HK)SL**"), a wholly-owned subsidiary of the Company, as the placing agent for which F(HK)SL agreed to place a maximum of 300,000,000 new Shares at the price of HK$0.10 per placing Share. All conditions of the placing have been fulfilled and completion of the placing took place on 1 August 2013. The 252,300,000 placing Shares have been successfully placed by F(HK)SL to not fewer than six placees at the placing price of HK$0.10 per placing Share pursuant to the terms and conditions of the placing agreement.

As at 30 September 2013, the total issued Shares capital was HK$341,839,000 comprising 3,418,385,668 Shares of HK$0.10 each.

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 Period, all the licensed subsidiaries of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

Liquidity and Financial Resources and Gearing Ratio

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

As at 30 September 2013, the Group's current assets and current liabilities were approximately HK$367,194,000 (as at 31 March 2013: HK$447,295,000) and approximately HK$101,330,000 (as at 31 March 2013: HK$128,311,000) respectively, while the current ratio was about 3.62 times (as at 31 March 2013: 3.49 times).

As at 30 September 2013, the Group's aggregate cash and cash equivalents amounted to approximately HK$47,938,000 (as at 31 March 2013: HK$43,535,000), representing approximately 13.06% (as at 31 March 2013: approximately 9.73%) of total current assets.

As at 30 September 2013, The Group had total bank and other borrowings of approximately HK$30,000,000 (as at 31 March 2013: approximately HK$52,954,000). Other borrowings are primarily at fixed rates while bank borrowings are primarily at variable rates. Currently, the entire Group's bank and other borrowings are denominated in Hong Kong Dollar. During the Period, no financial instruments were used for hedging purposes.

As at 30 September 2013, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 32.15% (as at 31 March 2013: approximately 37.92%). The decrease was mainly due to repayment of loans during the Period.

As at 30 September 2013, the debt ratio, defined as total debts over total assets, was approximately 36.48% (as at 31 March 2013: 39.54%).

Events After The Reporting Period

On 16 September 2013, the Company entered into a counter-guarantee agreement with Hanhua Guarantee Company Limited* ("**Hanhua**"), pursuant to which the Company agreed to counter-guarantee Hanhua for all liabilities and expenses which may be incurred by Chongqing Liangjiang New Area Runtong Small Loans Limited* ("**Runtong**") and on 16 September 2013, the Company entered into a deed of cross indemnity with Credit China Holdings Limited ("**Credit China**") in relation to the counter-guarantee to Hanhua.

On 19 November 2013, the Company entered into another counter-guarantee agreements with Chongqing Liangjiang New Area Financing Guarantee Company Limited* ("**Liangjiang New Area Guarantee Limited**"), pursuant to which the Company agreed to counter-guarantee Liangjiang

New Area Guarantee Limited for all liabilities and expenses which may be incurred by Liangjiang New Area Guarantee Limited in relation to the loans made to Runtong and the fees, expenses and penalties to be received by Liangjiang New Area Guarantee Limited under its guarantee to Runtong and on 19 November 2013, the Company entered into two deeds of cross indemnity with Credit China in relation to the counter-guarantee to Liangjiang New Area Guarantee Limited.

For details of the above transactions, please refer to the announcement of the Company dated 19 November 2013.

Contingent Liabilities

The Group had no material contingent liabilities at 30 September 2013 (as at 31 March 2013: nil).

Charge on the Group's Asset

No asset of the Group was subject to any charge as at 30 September 2013 (as at 31 March 2013: 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 Period, the Group mainly use Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

Human Resources

As at 30 September 2013, the Group had 65 employees in total (as at 31 March 2013: 74 employees). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Group is committed to ensuring high standard of corporate governance as the Directors believe that 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. None of the Directors is aware of any matter that would reasonably indicate that the Company being not in compliance with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**Code**") – Appendix 14 to the Listing Rules during the Period.

Changes of Directors' information under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information of the Company since the date of the annual report of the Company for the year ended 31 March 2013 are as follows:

Directors' Updated Biographical Details

Mr. ZHANG Min, an executive Director and the Chairman of the Company, has resigned as chief marketing officer of China Cinda Asset Management Ltd with effect from 31 August 2013.

Mr. NG Cheuk Fan Keith, an executive Director and the Managing Director of the Company, currently an executive director, was appointed as the chairman and one of the authorised representatives; and has resigned as the company secretary of U-Right International Holdings Limited, a company listed on the Main Board of the Stock Exchange with effect from 18 September 2013.

Mr. LAM Ka Wai Graham, an independent non-executive Director of the Company, was appointed as an independent non-executive director of CT Environmental Group Limited ("**CT Environmental**") on 14 June 2011. CT Environmental was listed on the Main Board of the Stock Exchange on 25 September 2013.

Mr. NG Kay Kwok, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Merdeka Resources Holdings Limited, a company listed on the Growth Enterprise Markets of the Stock Exchange with effect from 26 July 2013.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 March 2013 up to the date of this announcement.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

Purchase, Sale or Redemption of Shares

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

Interim Dividend

The Directors do not declare any interim dividend for the Period.

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 unaudited interim financial statements for the Period and this announcement.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 interim report for the Period will be dispatched to the shareholders and published on the websites of the Stock Exchange and the Company in due course.

* *The English transliteration of the Chinese name in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.*

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

Hong Kong, 25 November 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.