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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 290)

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

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 2014 together with the comparative figures for the previous year are as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000 (Restated)
Continuing operations			
Turnover	3	51,140	46,810
Cost of securities brokerage and margin financing		(4,276)	(2,938)
Other revenue	5	2,590	3,632
Depreciation		(5,905)	(5,909)
Salaries and allowances		(45,016)	(43,980)
Reversal of impairment loss recognised in respect of trade receivables		39,550	10,924
Change in fair value of financial assets designated as at fair value through profit or loss		–	3,716
Change in fair value of derivative component of convertible loan notes		(3,462)	4,975
Gain on disposal of subsidiaries	16	347	430
Impairment loss recognised in respect of trade receivables		(4,653)	(39,817)
Impairment loss recognised in respect of interests in joint ventures		(7,044)	–
Other operating and administrative expenses		(36,889)	(41,160)
Share of profits of associates		11,488	2,428
Share of profits of joint ventures		289	1,094
Finance costs	6	(13,750)	(12,158)

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000 (Restated)
Loss before tax	7	(15,591)	(71,953)
Income tax expense	8	(32)	—
Loss for the year from continuing operations		(15,623)	(71,953)
Discontinued operation			
Profit for the period from discontinued operation	9	—	2,587
Loss for the year		(15,623)	(69,366)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		19	572
Share of other comprehensive income of associates		676	152
Share of other comprehensive income of joint ventures		—	52
Reclassification adjustments for the cumulative exchange gains included in profit or loss upon disposal of foreign subsidiaries		—	(391)
Other comprehensive income for the year		695	385
Total comprehensive expense for the year		(14,928)	(68,981)
Loss for the year attributable to:			
Owners of the Company		(15,254)	(69,002)
Non-controlling interests		(369)	(364)
		(15,623)	(69,366)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(14,563)	(68,619)
Non-controlling interests		(365)	(362)
		(14,928)	(68,981)
		HK cent	HK cents
Loss per share	<i>11</i>		
From continuing and discontinued operations			
Basic and diluted		(0.46)	(2.18)
From continuing operations			
Basic and diluted		(0.46)	(2.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

		2014	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Plant and equipment		3,604	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
Interests in associates		85,048	14,183
Interests in joint ventures		2,919	9,384
Deposits		–	3,345
		102,405	47,236
Current assets			
Amount due from an associate		–	58,403
Amounts due from joint ventures		73,000	70,000
Investments held for trading		22,464	22,842
Trade receivables	12	119,447	153,096
Loan receivables	13	33,476	29,448
Other receivables, deposits and prepayments		6,848	2,429
Derivative component of convertible loan notes		3,359	6,821
Amount due from a non-controlling shareholder of a subsidiary		125	125
Bank balances and cash – trust		119,354	60,596
Bank balances and cash – general		87,011	43,535
		465,084	447,295

		2014	2013
	Notes	HK\$'000	HK\$'000
Current liabilities			
Trade payables, other payables and accruals	14	140,195	74,637
Bank and other borrowings		–	52,954
Convertible loan notes		41,242	–
Tax payable		720	720
		<u>182,157</u>	<u>128,311</u>
Net current assets		<u>282,927</u>	<u>318,984</u>
Total assets less current liabilities		<u><u>385,332</u></u>	<u><u>366,220</u></u>
Capital and reserves			
Share capital	15	341,839	316,609
Reserves		<u>(32,186)</u>	<u>(17,623)</u>
Equity attributable to owners of the Company		309,653	298,986
Non-controlling interests		<u>(361)</u>	<u>4</u>
Total equity		<u>309,292</u>	<u>298,990</u>
Non-current liabilities			
Corporate bonds		47,766	–
Convertible loan notes		<u>28,274</u>	<u>67,230</u>
		<u>76,040</u>	<u>67,230</u>
		<u><u>385,332</u></u>	<u><u>366,220</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

The Group has applied the following new and revised HKFRSs, which includes HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”) and Interpretation (“**Int(s)**”), issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in 2012
Amendments to HKFRS 1	First-time adoption of HKFRSs – Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10,	Consolidated Financial Statements, Joint Arrangements and
HKFRS 11 and HKFRS 12	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
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
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Hong Kong (International Financial	Stripping Costs in the Production Phase of a Surface Mine
Reporting Interpretations	
Committee) (“ HK(IFRIC) ”)	
– Int 20	

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

Amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

- (a) recognised financial instruments that are set off in accordance with HKAS 32 Financial instruments: Presentation; and
- (b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's offsetting arrangements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and Hong Kong (Standing Interpretations Committee) (“**HK(SIC)**”) Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power over the investee to affect the amount of the investor's returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangements, and, when relevant, other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's joint arrangements in accordance with the requirements of HKFRS 11 and concluded that the Group's investment in Measure Up International Limited ("**Measure Up**") and its subsidiaries, which was classified as a jointly controlled entity under HKAS 31 should be classified as a joint venture under HKFRS 11 and continue to account for using the equity method.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset 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 between market participants 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.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Group applied the amendments to HKAS 36 in advance of the effective date for the Group's financial year commencing on 1 January 2014, accordingly, the recoverable amounts of corporate finances (containing goodwill) had not been disclosed in these consolidated financial statements. However, the recoverable amount of interests in joint ventures has been disclosed in the note to the 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 Improvements to HKFRSs 2010-2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁴
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

³ HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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 early 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 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

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 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- 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 of financial liabilities attributable to changes in the financial liabilities' 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 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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:

	2014 HK\$'000	2013 HK\$'000
Dividend income	251	261
Income from securities brokerage business	9,760	9,253
Interest income from money lending business	4,852	9,472
Margin interest income from securities brokerage business	11,538	15,996
Net gain on trading of listed securities	12,149	3,346
Others	2,608	1,988
Service income from corporate finance	9,982	6,494
	<u>51,140</u>	<u>46,810</u>

4. SEGMENT INFORMATION

Information reported to the board of directors, being the designated decision maker, for the purpose of resources allocation and assessment of segment performance focus is on the type of services provided. No operating segments identified by the designated 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.

Other operations include consultancy services and insurance brokerage income.

The futures brokerage business, which was included in broking and margin financing segment, was discontinued and disposed during the year ended 31 March 2013. 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 9.

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 and operating segment.

For the year ended 31 March

	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Inter-segment elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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														
Turnover														
External turnover	21,298	25,249	12,400	3,607	9,982	6,494	4,852	9,472	2,608	1,988	-	-	51,140	46,810
Inter-segment turnover (<i>note</i>)	391	22	-	-	100	41	-	-	3,621	4,138	(4,112)	(4,201)	-	-
	<u>21,689</u>	<u>25,271</u>	<u>12,400</u>	<u>3,607</u>	<u>10,082</u>	<u>6,535</u>	<u>4,852</u>	<u>9,472</u>	<u>6,229</u>	<u>6,126</u>	<u>(4,112)</u>	<u>(4,201)</u>	<u>51,140</u>	<u>46,810</u>
Segment profit (loss)	33,152	(24,410)	11,796	2,729	685	(4,158)	(86)	2,629	(2,854)	(7,207)	-	-	42,693	(30,417)
Unallocated operating income													425	1,991
Unallocated operating expense													(46,609)	(44,012)
Change in fair value of financial assets designated as at fair value through profit or loss ("FVTPL")													-	3,716
Change in fair value of derivative component of convertible loan notes													(3,462)	4,975
Gain on disposal of subsidiaries													347	430
Impairment loss in respect of interests in joint ventures													(7,044)	-
Share of profits of associates													11,488	2,428
Share of profits of joint ventures													289	1,094
Finance costs													(13,750)	(12,158)
Loss before tax													(15,623)	(71,953)

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 profit (loss) represents the profit (loss) from each segment without allocation of central administration expenses, directors' salaries, change in fair value of financial assets designated as at FVTPL, change in fair value of derivative component of convertible loan notes, gain on disposal of subsidiaries, share of profits of associates and joint ventures, finance costs, interest income from financial institutions, gain on disposal of plant and equipment and certain other operating income. This is the measure reported to the designated decision maker 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 and operating segment:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Segment assets		
Broking and margin financing	238,375	200,254
Proprietary trading	22,464	22,842
Corporate finance	5,237	5,081
Money lending	33,476	29,448
Others	791	684
Total segment assets	300,343	258,309
Unallocated	267,146	236,222
Consolidated assets	<u>567,489</u>	<u>494,531</u>
Segment liabilities		
Broking and margin financing	135,595	73,917
Corporate finance	228	117
Others	1,062	603
Total segment liabilities	136,885	74,637
Unallocated	121,312	120,904
Consolidated liabilities	<u>258,197</u>	<u>195,541</u>

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 joint ventures, available-for-sale financial assets, amounts due from an associate/joint ventures/an investee company, certain trade and other receivables, deposits and prepayments, derivative component of convertible loan notes, 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 of convertible loan notes, corporate bonds and tax payable.

Other segment information

For the year ended 31 March Continuing operations	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Unallocated		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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
Amounts included in the measure of segment profit (loss) or segment assets:														
Additions to non-current assets (<i>note</i>)	-	540	-	-	-	11	-	-	-	415	59,193	14,811	59,193	15,777
Depreciation	333	523	-	-	7	17	-	-	4	21	5,561	5,348	5,905	5,909
Reversal of impairment recognised in respect of trade receivables	(39,550)	(10,924)	-	-	-	-	-	-	-	-	-	-	(39,550)	(10,924)
Written off of trade receivables	-	-	-	-	-	491	-	-	-	-	-	-	-	491
Impairment loss recognised in respect of trade receivables	4,653	39,817	-	-	-	-	-	-	-	-	-	-	4,653	39,817
(Gain) loss on disposal of plant and equipment	(15)	-	-	(127)	-	-	-	-	-	57	-	-	(15)	(70)

Note: Non-current assets exclude financial instruments.

For the year ended 31 March Continuing operations	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Unallocated		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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
Amounts regularly provided to the designated decision maker but not included in the measure of segment profit (loss) or segment assets:														
Interests in associates	-	-	-	-	-	-	-	-	-	-	85,048	14,183	85,048	14,183
Interests in joint ventures	-	-	-	-	-	-	-	-	-	-	9,963	9,384	9,963	9,384
Interest income from financial institutions	(33)	(53)	-	-	-	-	(3)	(2)	-	-	(85)	(211)	(121)	(266)
Impairment loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	8	-	8	-
Impairment loss recognised in respect of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	7,044	-	7,044	-
Written off of plant and equipment	-	-	-	-	-	-	-	-	-	-	-	(60)	-	(60)
Change in fair value of financial assets designated as at FVTPL	-	-	-	-	-	-	-	-	-	-	-	(3,716)	-	(3,716)
Change in fair value of derivative component of convertible loan notes	-	-	-	-	-	-	-	-	-	-	3,462	(4,975)	3,462	(4,975)
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(347)	(430)	(347)	(430)
Gain on disposal of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(159)	-	(159)
Written back of long outstanding other payables and accruals	-	-	-	-	-	-	-	-	-	-	-	(1,405)	-	(1,405)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	(11,488)	(2,428)	(11,488)	(2,428)
Share of profits of joint ventures	-	-	-	-	-	-	-	-	-	-	(289)	(1,094)	(289)	(1,094)
Finance costs	1,040	1,592	-	-	-	-	-	-	-	-	12,710	10,566	13,750	12,158
Income tax expense	-	-	-	-	-	-	-	-	32	-	-	-	32	-

Information about major customers

For the years ended 31 March 2014 and 2013, 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

	2014 HK\$'000	2013 HK\$'000
Continuing operations		
Gain on disposal of available-for-sale financial assets	–	159
Handling charges	1,688	684
Interest income from financial institutions	121	266
Loan arrangement fee income	500	315
Written back of long outstanding other payables and accruals	–	1,405
Gain on disposal of plant and equipment	15	70
Sundry income	266	733
	<u>2,590</u>	<u>3,632</u>

6. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Continuing operations		
Interest on bank and other borrowings wholly repayable within five years	3,425	5,814
Effective interest on corporate bond interests not wholly repayable within five years	1,252	–
Effective interest on corporate bond interests wholly repayable within five years	341	–
Effective interest expenses on convertible loan notes wholly repayable within five years	8,732	6,344
	<u>13,750</u>	<u>12,158</u>

7. LOSS BEFORE TAX

Loss before tax from continuing operations has been arrived at after charging:

	2014 HK\$'000	2013 HK\$'000
Auditor's remuneration	800	790
Exchange losses	164	735
Total staff costs:		
– directors' remuneration	13,039	12,810
– salaries and allowance	31,073	30,385
– retirement benefit scheme contributions (excluding directors)	904	785
	<u>45,016</u>	<u>43,980</u>
Written off of plant and equipment	–	60
Impairment loss recognised in respect of available-for-sale financial assets	8	–
Written off of trade receivables	–	491
Operating lease in respect of rented premises	15,560	15,482

8. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Continuing operations		
Underprovision for prior years		
Hong Kong Profits Tax	<u>32</u>	<u>—</u>

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

Under the Law of the People's Republic of China ("**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 the PRC EIT Law during both years.

Under the New Enterprises Income Tax Law of the PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries, associates and joint ventures from 1 January 2008 onwards (the "**Post-2008 Earnings**"). As at 31 March 2014 and 2013, deferred taxation has not been provided for in the consolidation financial statements in respect of temporary difference attributable to the Post-2008 Earnings. The Group did not have any material Post-2008 earnings as at 31 March 2014 and 2013.

9. 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 Future Limited ("**EFL**") and its subsidiaries (collectively referred to as ("**EFL Group**"), which was engaged in the future brokerage business and included in broking and margin financing segment, to New Century Excalibur Holdings Limited ("**New Century**"), 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 future 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 for the period from discontinued operation was analysed as follows:

	1.4.2012- 31.5.2012 <i>HK\$'000</i>
Loss on discontinued operation for the period	(420)
Gain on disposal of subsidiaries	3,007
	2,587

The loss on discontinued operation was as follows:

	1.4.2012- 31.5.2012 <i>HK\$'000</i>
Turnover	7,835
Cost of sales and services rendered	(1,996)
Gross profit	5,839
Other revenue	88
Net loss on trading of listed securities	(269)
Other operating and administrative expenses	(6,078)
Loss before tax from discontinued operation	(420)
Income tax expense	–
Loss for the period	(420)

	1.4.2012- 31.5.2012 <i>HK\$'000</i>
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Loss for the period from discontinued operation include the following:

Depreciation of plant and equipment	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 are as follows:

	1.4.2012- 31.5.2012 <i>HK\$'000</i>
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	<u><u>615</u></u>

The carrying amounts of assets and liabilities of EFL Group at the date of disposal were disclosed in note 16.

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

11. 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share	<u><u>(15,254)</u></u>	<u><u>(69,002)</u></u>
Number of shares	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>3,334,056</u></u>	<u><u>3,166,086</u></u>

Diluted loss per share was same as the basic loss per share for the years ended 31 March 2014 and 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 years ended 31 March 2014 and 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:

	2014 HK\$'000	2013 HK\$'000
Loss for the year attributable to owners of the Company	(15,254)	(69,002)
Less: profit for the period from discontinued operation (note 9)	<u>–</u>	<u>2,587</u>
Loss for the year for the purpose of computation of basic and diluted loss per share from continuing operations	<u>(15,254)</u>	<u>(71,589)</u>

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

From discontinued operation

Basic and diluted earnings per share for the discontinued operation for the year ended 31 March 2013 was HK0.08 cent per share (2014: nil), 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.

12. TRADE RECEIVABLES

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

	2014 HK\$'000	2013 HK\$'000
Trade receivables from the business of dealing in securities:		
– Cash clients	8,171	8,207
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	4,036	2,846
– Margin clients	172,414	242,370
Trade receivables from other businesses	<u>1,710</u>	<u>1,454</u>
	186,331	254,877
Less: Impairment loss recognised	<u>(66,884)</u>	<u>(101,781)</u>
	<u>119,447</u>	<u>153,096</u>

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 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 aged analysis of trade receivables (excluded margin clients), net of impairment losses, at the end of the reporting period based on the invoice date which approximated the respective revenue recognition dates was as follows:

	2014 HK\$'000	2013 <i>HK\$'000</i>
Less than 30 days	11,834	10,074
31 to 60 days	451	203
61 to 90 days	145	440
Over 90 days	1,079	1,059
	<u>13,509</u>	<u>11,776</u>

Trade receivables from cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK\$1,327,360,000 (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. The trade receivables from cash and margin customers are repayable on demand and bear interest at commercial rates. As at 31 March 2014, included in the total trade receivables, approximately HK\$106,966,000 (2013: HK\$142,192,000) were interest bearing whereas approximately HK\$12,481,000 (2013: HK\$10,904,000) were non-interest bearing. There is no replodge of the collateral from margin clients in both years.

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

Included in the Group's trade receivables from cash clients are debtors with aggregate carrying amount of approximately HK\$2,737,000 (2013: HK\$2,909,000) which were past due as at 31 March 2014 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 end of respective reporting period, the aged analysis (subsequent to the settlement date) are as follows:

	2014 HK\$'000	2013 <i>HK\$'000</i>
Less than 30 days	1,062	1,251
31 to 60 days	451	162
61 to 90 days	145	262
Over 90 days	1,079	1,234
	<u>2,737</u>	<u>2,909</u>

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\$390,280,000 over these balances (2013: HK\$39,470,000).

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Balance at beginning of the year	101,781	72,989
Amounts written off as uncollectible	–	(101)
Reversal of impairment loss recognised	(39,550)	(10,924)
Recognised impairment loss during the year	4,653	39,817
Balance at end of the year	<u>66,884</u>	<u>101,781</u>

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK\$66,884,000 (2013: HK\$101,781,000) were individually impaired trade debtors who were in financial difficulties. During the year ended 31 March 2014, no trade receivable was directly written off while during the year ended 31 March 2013, trade receivables of approximately HK\$491,000 were directly written off due to the directors of the Company considered that the recoverability of the receivables is remote.

13. LOAN RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Secured loan receivables	20,110	14,471
Unsecured loan receivables	13,366	14,977
	<u>33,476</u>	<u>29,448</u>

The secured loan receivables are secured by the equity shares of a listed company (2013: equity shares of a listed company and an unlisted company) and bear interest at a fixed interest rate at 10% to 15% (2013: 8% to 23%) per annum. The Group holds the pledged securities at fair values of approximately HK\$16,892,000 over these balances (2013: HK\$30,360,000).

The unsecured loan receivables carried interest at fixed rates at 22% to 30% (2013: 25%) per annum. All unsecured loan receivables are guaranteed by a substantial shareholder and/or an independent third party as at 31 March 2014 and 2013.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Less than 30 days	561	452
31 to 60 days	3,156	9,132
61 to 90 days	1,653	76
Over 90 days	28,106	19,788
	<u>33,476</u>	<u>29,448</u>

Included in the Group's loan receivables balance are debtors with aggregate carrying amount of nil (2013: HK\$4,810,000) which were past due as at 31 March 2014 for which the Group has not provided for impairment loss. 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 loan receivables are due for settlement at the date specified in the respect loan agreements.

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables from the business of dealing in securities:		
– margin and cash clients	134,161	68,262
– HKSCC	1,914	2,003
Other payables and accruals	4,120	4,372
	<u>140,195</u>	<u>74,637</u>

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 31 March 2014, the Group had other payables and accruals of approximately HK\$202,000 (2013: HK\$667,000) which were denominated in USD.

15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	<u>5,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2012, 31 March 2013 and 1 April 2013	3,166,086	316,609
Issue of shares (<i>note</i>)	<u>252,300</u>	<u>25,230</u>
At 31 March 2014	<u>3,418,386</u>	<u>341,839</u>

Note: On 1 August 2013, the Company has completed to place 252,300,000 ordinary shares of the Company at the price of HK\$0.10 per placing share to certain independent third parties. Details of the transaction were set out in the Company's announcements dated 18 July 2013 and 1 August 2013.

All new shares issued during the year ended 31 March 2014 ranked pari passu in all respects with other shares in issue.

16. DISPOSAL OF SUBSIDIARIES

- (a) On 3 December 2013, the Group has completed to dispose of its entire equity interest in Pegasus Financial Public Relations Limited (formerly known as Fortune Media Advisory Limited) ("**Pegasus Financial**") to Total Icon Limited, an independent third party of the Group.

HK\$'000

Consideration received:

Cash received	1,150
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Analysis of assets and liabilities over which control was lost:

HK\$'000

Trade and other receivables	857
Bank balances and cash – general	18
Trade and other payables	(72)

Net assets disposed of	803
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Gain on disposal of subsidiaries:

Consideration received	1,150
Net assets disposed of	(803)

Gain on disposal	347
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Net cash inflow arising on disposal:

Cash consideration	1,150
Less: bank balances and cash disposed of	(18)
	1,132

- (b) As mentioned in note 9, the Group entered into an agreement to dispose of its entire equity interests in EFL Group to New Century. 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
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Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
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)
	<u>13,264</u>
Net assets disposed of	<u>13,264</u>
Gain on disposal of subsidiaries:	
Consideration received	15,880
Net assets disposed of	(13,264)
Release of translation reserve	391
	<u>3,007</u>
Gain on disposal	<u>3,007</u>
Net cash inflow arising on disposal:	
Cash consideration	15,880
Less: bank balances and cash disposed of	(9,261)
	<u>6,619</u>

- (c) On 21 January 2013, the Group disposed of 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 principally engaged in investment holding during the period ended 21 January 2013.

	<i>HK\$'000</i>
Consideration received:	
Cash received	<u>300</u>

Analysis of liabilities over which control was lost:

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

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

17. COMMITMENTS

(i) 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 the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	4,006	15,603
In the second to fifth years, inclusive	<u>777</u>	<u>1,623</u>
	<u>4,783</u>	<u>17,226</u>

(ii) Capital commitment

The Group had the following capital commitment at the end of the reporting period:

	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for:		
Investment in a joint venture	<u>7,279</u>	<u>—</u>

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2014, turnover of the Group amounted to approximately HK\$51,140,000, representing an increase of approximately 9.25% from approximately HK\$46,810,000 for the year ended 31 March 2013. The increase in turnover was mainly attributable to increase in turnover contributed from the gain on trading of listed securities, and service income from corporate finance. The Group recorded a loss for the year of approximately HK\$15,623,000, as compared with the loss of approximately HK\$69,366,000 in the last year. The loss for the year was principally attributable to (i) reduction in margin interest income from securities brokerage business; (ii) change in fair value of derivative component of convertible loan notes; (iii) reduction in interest income from money lending business; and (iv) impairment loss recognised in respect of interests in joint ventures. Net loss attributable to owners of the Company for the year amounted to approximately HK\$15,254,000, representing a decrease of approximately 77.89% from approximately HK\$69,002,000 in last year. The basic and diluted loss per share for the year was approximately HK0.46 cent as compared with the basic and diluted loss per share of approximately HK2.18 cents in last year.

REVIEW OF OPERATIONS

Broking and margin financing

Although the tough business environments including the sluggish trading volumes and diminishing net commission income as a result of the cut-throat competition among local brokers during the year, the Group recorded a segment profit of approximately HK\$33,152,000 due to increase in the reversal of impairment losses, and decrease in impairment loss for the year ended 31 March 2014 as compared to a segment loss of approximately HK\$24,410,000 in last year.

Proprietary trading

During the year, all securities traded were shares listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Despite the uncertainties in global economy, the stock market in Hong Kong had shown slightly growth and improvement during the year under review. In the proprietary trading business, for the year the Group recorded a turnover increase to approximately HK\$12,400,000 (2013: trading profit of securities amounting to approximately HK\$3,607,000) and a profit of approximately HK\$11,796,000 (2013: profit of approximately HK\$2,729,000). The increase in turnover and the profit during the year was attributed to the improvement in the Hong Kong stock market.

Corporate finance

The initial public offering (“**IPO**”) market in Hong Kong was more active this year. Funds raised through IPO were approximately HK\$169 billion, representing an increase of approximately 88% comparing with last year. Revenue from our corporate finance business increased by approximately 54.27% from approximately HK\$6,535,000 to approximately HK\$10,082,000 while the segment profit amounted to HK\$685,000 approximately for the year ended 31 March 2014 as compared to a segment loss of approximately HK\$4,158,000 in last year.

Money lending

During the year, the money lending market was under the intensive competition among the local competitors. The Group recorded a decline in interest income to approximately HK\$4,852,000 for the year ended 31 March 2014 as compared to interest income of approximately HK\$9,472,000 in 2013. While remaining cautious about granting new loans, the Group will continue to explore other money lending opportunities.

Other businesses

During the year, the Group recorded turnover from other business operation in the areas of other consultancy services and insurance brokerage income of approximately HK\$6,229,000 (2013: approximately HK\$6,126,000). In the future, the Group will continue to explore new business opportunities for the purpose of providing diversified products and services to our clients.

Disposal of a subsidiary

During the year, the Group disposed of its entire interest in Pegasus Financial at a cash consideration of approximately HK\$1,150,000 and recognised a gain on disposal of approximately HK\$347,000.

SIGNIFICANT EVENTS

Provision of financial assistance

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 maybe 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.

Rejection to an offer in relation to a proposed disposal of China Runking Financing Group Holdings Limited (“Proposed Disposal”)

On 3 January 2014, Gold Kingdom Holdings Limited (“**Gold Kingdom**”), a wholly-owned subsidiary of the Company, received the offer letter (“**Offer Letter**”) pursuant to which the Purchaser conditionally offered to purchase from Gold Kingdom 25% of the issued share capital of China Runking Financing Group Holdings Limited (“**China Runking**”), representing the entire equity interest held by the Group in China Runking, for a cash consideration of HK\$70,700,000 (the “**Offer**”).

China Runking is the holding company of Runtong, which in turn, is principally engaged in small loan business in Chongqing, the PRC. China Runking is owned as to 60% by Jovial Lead Limited, a wholly-owned subsidiary of Credit China, as to 25% by Gold Kingdom, as to 10% by Full Plus Group Limited and as to 5% by Profounders.

After taking into account the current business strategy and financial position of the Group, the Directors are of the view that it is in the interest of the Company and its shareholders to retain the Group’s interest in Runtong for its business prospects and potential returns to be brought to its shareholders, and rejection to the Offer would not have any material adverse impact on the Group. As such, on 29 January 2014, Gold Kingdom has notified the Purchaser to reject the Offer. Accordingly, the Proposed Disposal does not proceed.

For details of the Proposed Disposal, please refer to the announcements of the Company dated 3 January 2014 and 29 January 2014.

PROSPECTS

We expect that the global economy for 2014 may still remain uncertain and challenging as the combined effects of the slow recovery of the Asian economy, the withdrawal of quantitative easing policy, the slowdown of China’s economy and the debt crisis in the Euro zone.

In April 2014, the China Securities Regulatory Commission and the Securities & Futures Commission of Hong Kong announced to launch a trading program known as Shanghai-Hong Kong Stock Connect, which will allow mainland China and Hong Kong investors to trade eligible share listed on each other’s market through local securities firms or brokers. Therefore we expect that the performance of stock market in Hong Kong and China to be relatively optimistic and the program might constitute a good business opportunity for the Group.

The initial public offering market in Hong Kong was more active this year. According to the Stock Exchange, as at 31 December 2013, 110 companies had completed listing on the Stock Exchange with an increase of approximately 77% as compared to that in last year. The amount of funds raised reached approximately HK\$169 billion, representing an increase of approximately 88% as compared to that in last year. To capture this market, the Group will continue to strengthen its corporate finance and financial advisory services in order to achieve better results.

Following the gradual withdrawal of quantitative easing policy in the US, the funding is expected to be tightened in both China and Hong Kong. The money lending business might benefit from those tightened measures. However, the Group will conduct the money lending business with all due vigilance and precaution.

Looking ahead, the Group will continue to concentrate on developing broking and margin financing, proprietary trading, corporate finance and money lending as its core businesses, however the Group will constantly explore and evaluate new business opportunities with cautious and prudence in order to generate quality returns for our shareholders and strengthen the Group's business and financial positions.

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 (the “**Placing Agreement**”) 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 (the “**Placing**”). All conditions of the placing have been fulfilled and completion of the placing took place on 1 August 2013. A total of 252,300,000 placing Shares have been successfully placed by F(HK)SL to not fewer than six placees, which were independent third parties and not connected with the Company and its associates, at the placing price of HK\$0.10 per placing Share pursuant to the terms and conditions of the placing agreement. The closing price per Share in the Company as quoted on the Stock Exchange on 18 July 2013, being the date of the Placing Agreement, was HK\$0.075. The net proceeds from the Placing (after deduction of the relevant expenses and costs) is approximately HK\$24.7 million, of which had been used for repayment of debts and as the general working capital of the Group. For details, please refer to the announcements of the Company dated 18 July 2013 and 1 August 2013.

As at 31 March 2014, the total issued Shares capital was approximately 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 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 2014 and 2013.

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 2014 and 2013.

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, other borrowings and issuance of the corporate bonds.

As at 31 March 2014, the Group's current assets and current liabilities were approximately HK\$465,084,000 (as at 31 March 2013: approximately HK\$447,295,000) and approximately HK\$182,157,000 (as at 31 March 2013: approximately HK\$128,311,000) respectively, while the current ratio was about 2.55 times (as at 31 March 2013: 3.49 times).

As at 31 March 2014, the Group's aggregate cash and cash equivalents amounted to approximately HK\$87,011,000 (as at 31 March 2013: approximately HK\$43,535,000), of which approximately 88% was denominated in Hong Kong dollars, approximately 11% was denominated in United States dollars and approximately 1% was denominated in Reminbi, representing approximately 18.70% (as at 31 March 2013: approximately 9.73%) of total current assets. As at 31 March 2014, the Group had no bank and other borrowings (as at 31 March 2013: approximately HK\$52,954,000).

During the year, no financial instruments were used for hedging purposes. As at 31 March 2014, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 36.79% (as at 31 March 2013: approximately 37.92%). The decrease was mainly due to repayment of loans during the year.

As at 31 March 2014, the debt ratio, defined as total debts over total assets, was approximately 45.50% (as at 31 March 2013: approximately 39.54%).

As at 31 March 2014, the Group has issued 2 to 7 and a half years corporate bonds with aggregate principal amounts of HK\$53,810,000 to 8 independent third parties, which are due in December 2015, January 2016, October 2020, December 2020, March 2021 and June 2021 respectively, and carry interest at fixed rate of 6% to 7% per annum with interest payable annually in arrears. The corporate bonds are unsecured.

SIGNIFICANT INVESTMENT

As at 31 March 2014, the Group held financial assets at fair value through profit and loss amounted to approximately HK\$22,464,000 (as at 31 March 2013: approximately HK\$22,842,000).

CONTINGENT LIABILITIES

During the year ended 31 March 2014, the Group has provided certain counter financial guarantees to two independent third parties, which has provided financial guarantees directly to Chongqing Liangjiang New Area Small Loans Business Limited, an associate of the Group, in aggregate of approximately RMB10,000,000 (equivalent to approximately HK\$12,317,000) (2013: nil).

Details are set out in the announcement of the Company dated 19 November 2013.

CHARGE ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 March 2014 (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 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

As at 31 March 2014, the Group had 81 employees in total (as at 31 March 2013: 74 employees). The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$31,977,000. 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. No share option was granted, exercised, lapsed or cancelled during the year ended 31 March 2014 under the share option scheme, and no option remained outstanding under the share option scheme as at 31 March 2014.

LITIGATION

In April 2014, a writ of summons was issued by a third party in liquidation (the "**Plaintiff**") against F(HK)SL, a subsidiary of the Company, in relation to HK\$4,000,000 ("**Sum**") paid to Fortune Securities pursuant to a cheque issued by the Plaintiff in September 2009 which was transferred to a client's account maintained with F(HK)SL. The Plaintiff claimed that the sum was money belonging to them and demanded for a refund of the Sum. As advised by the legal adviser to the case, pursuant to the terms and conditions of the client's agreement entered into between the client and F(HK)SL, F(HK)SL is entitled to set off or withhold any securities and monies held in the account against any liabilities owed by the client. Having considered the legal advice, the Board believes that the said legal action does not have any material adverse impact on the Group's operation and financial position. As at the date of this report, the said legal action is still in progress.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as the Placing disclosed in the paragraph headed "Capital Structure" in this results announcement, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

EVENT AFTER THE REPORTING PERIOD

Provision of financial assistance

On 4 April 2014, a loan agreement (“**Loan Agreement**”) was entered into between Fortune Finance Limited (“**Fortune Finance**”), an indirect wholly-owned subsidiary of the Company as lender, Zhongyue Group Limited (a third party independent of, and not connected with the Group, hereinafter the “**Borrower**”) and certain guarantors, pursuant to which, Fortune Finance agreed to provide the loan (the “**Loan**”) in an aggregate principal amount of up to HK\$40,000,000, consisting of two tranches of HK\$20,000,000 each, to the Borrower for a term of 180 days from and excluding the relevant date(s) of drawdown (“**Drawdown Date**”) of each tranche of the Loan. The interest rate is 16.5% per annum accrued from the Drawdown Date of the relevant tranche of the Loan on a monthly basis. The Loan was secured by certain listed securities owned by the Borrower and a charge on the securities account in the name of the Borrower.

Pursuant to the Loan Agreement, the drawdown notice of the first tranche of the Loan (if any) must be submitted to Fortune Finance by the Borrower within ten business days from the date of the Loan Agreement, and the drawdown notice of the second tranche of the Loan (if any) must be submitted to Fortune Finance by the Borrower within twenty-five business days from the date of the Loan Agreement.

As the Borrower has not submitted any drawdown notice to Fortune Finance within the specified periods in accordance with the Loan Agreement, no advance of any tranche of the Loan had been made to the Borrower, and the Loan lapsed accordingly.

Fortune Finance is a money lender licenced in Hong Kong under the provisions of the Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong).

For the details of the Loan Agreement and relevant transactions, please refer to the announcement of the Company dated 4 April 2014.

CORPORATE GOVERNANCE

The Company’s commitment to the highest standards of corporate governance is driven by the Board of Directors who, led by the chairman, assume overall responsibility for the governance of the Company, taking into account the interests of the 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 “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the year ended 31 March 2014

The Company had complied with the code provisions and, where appropriate, met the recommended best practices in the CG Code with exception noted hereunder.

According to the code provision A6.7 which provides that an independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wu Ling, who was the non-executive Director of the Company, did not attend the annual general meeting in 2013 as he was abroad.

NON-COMPLIANCE WITH RULES 3.10, 3.10A, 3.21 AND 3.25 OF THE LISTING RULES

Up to the date of this results announcement

Mr. LAM Ka Wai Graham (“**Mr. Lam**”), independent non-executive Director of the Company, has tendered his resignation with effect from 11 April 2014 due to his other business commitments. Upon Mr. Lam’s resignation, he also ceased to be the chairman of the remuneration committee of the Company and member of each of the audit committee and nomination committee of the Company with effect from 11 April 2014.

Following the resignation of Mr. Lam: (i) the number of the independent non-executive Directors falls below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules; (ii) the number of members of the audit committee of the Company falls below the minimum number required under Rule 3.21 of the Listing Rules; and (iii) there is a vacancy for chairman of the remuneration committee of the Company which does not fulfil the requirement under Rule 3.25 of the Listing Rules.

In order to comply with the requirement under Rule 3.25 of the Listing Rules, on 20 June 2014, Mr. TAM B Ray Billy, the independent non-executive Director has been appointed as chairman of the remuneration committee of the Company. For the details of the appointment, please refer to the announcement of the Company dated 20 June 2014.

The Company is endeavouring to identify a suitable candidate to fill up the abovementioned vacancies as soon as practicable and within three months as required under Rules 3.11, 3.23 and 3.27 of the Listing Rules. The Company will make further announcement(s) as and when appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “**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 ended 31 March 2014.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the “**Audit Committee**”) comprises two independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee) 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 2014.

The figures in respect of the announcement of the Group’s results for the year ended 31 March 2014 have been agreed by the Company’s auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the audited financial statements of the Group for the year.

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, 20 June 2014

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 two independent non-executive Directors, namely Mr. Ng Kay Kwok and Mr. Tam B Ray Billy.

** for identification purposes only*