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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 2014

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 2014 (the "**Period**") together with the comparative figures for the corresponding period in 2013. 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 2014

		Six months ended 30 September	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**22,088**	18,682
Cost of securities brokerage and margin financing		**(1,840)**	(1,510)
Other revenue	*5*	**3,314**	1,540
Depreciation		**(1,205)**	(2,977)
Salaries and allowances		**(20,362)**	(23,146)
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		**(973)**	(2,104)
Reversal of impairment loss on trade receivables		**2,396**	16,137
Impairment losses recognised in respect of trade receivables		**(14,323)**	(8,160)
Other operating and administrative expenses		**(19,273)**	(18,108)
Share of profits of associates		**3,623**	1,068
Share of profits of joint ventures		**1,386**	1,994

	Notes	Six months ended 30 September **2014** *HK$'000* **(Unaudited)**	2013 *HK$'000* (Unaudited)
Finance costs	*6*	**(7,555)**	(6,670)
Loss before tax	*7*	**(32,724)**	(24,383)
Income tax expense	*8*	**(431)**	(76)
Loss for the Period		**(33,155)**	(24,459)
Loss for the Period attributable to:			
Owners of the Company		**(32,917)**	(24,278)
Non-controlling interests		**(238)**	(181)
		(33,155)	(24,459)
		HK cents	*HK cents*
Loss per share	*10*		
Basic and diluted		**(0.96)**	(0.71)

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the Period	**(33,155)**	(24,459)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive income of associates	**1,341**	1,071
Share of other comprehensive (expense) income of joint ventures	**(756)**	13
Exchange differences arising from capitalisation of amount due from associates	**–**	97
Exchange differences arising on translation of foreign operations	**314**	236
Other comprehensive income for the Period	**899**	1,417
Total comprehensive expense for the Period	**(32,256)**	(23,042)
Total comprehensive expense for the Period attributable to:		
Owners of the Company	**(32,025)**	(22,863)
Non-controlling interests	**(231)**	(179)
	(32,256)	(23,042)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	**At 30 September 2014 *HK$'000* (Unaudited)**	At 31 March 2014 *HK$'000* (Audited)
Non-current assets			
Plant and equipment		**4,015**	3,604
Intangible assets		**–**	–
Club membership debentures		**6,610**	6,610
Other non-current assets		**230**	230
Goodwill		**3,994**	3,994
Interest in associates		**90,012**	85,048
Interests in joint ventures		**4,673**	2,919
		109,534	102,405
Current assets			
Investments held for trading		**18,922**	22,464
Trade receivables	*11*	**126,551**	119,447
Loan receivables	*12*	**29,818**	33,476
Amounts due from joint ventures		**73,000**	73,000
Other receivables, deposits and prepayments		**8,346**	6,848
Derivative component of convertible loan notes		**2,386**	3,359
Amount due from a non-controlling shareholder of a subsidiary		**125**	125
Bank balances and cash – trust		**84,409**	119,354
Bank balances and cash – general		**98,565**	87,011
		442,122	465,084

	Notes	At 30 September 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
Current liabilities			
Trade payables, other payables and accruals	*13*	**123,884**	140,195
Convertible loan notes		**43,918**	41,242
Tax payable		**720**	720
		168,522	182,157
Net current assets		**273,600**	282,927
Total assets less current liabilities		**383,134**	385,332
Capital and reserves			
Share capital	*14*	**341,839**	341,839
Reserves		**(64,211)**	(32,186)
Equity attributable to owners of the Company		**277,628**	309,653
Non-controlling interests		**(592)**	(361)
Total equity		**277,036**	309,292
Non-current liabilities			
Corporate bonds		**76,052**	47,766
Convertible loan notes		**30,046**	28,274
		106,098	76,040
		383,134	385,332

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation 21	Levies

The Group has not applied any new or revised HKFRSs that are not yet effective for the current interim period.

The application of the above new interpretation and amendments to 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.

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	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income	**178**	148
Income from securities brokerage business	**6,812**	3,549
Interest income from money lending business	**3,505**	2,635
Margin interest income from securities brokerage business	**9,203**	6,459
Net loss on trading of listed securities	**(2,833)**	(248)
Others	**409**	639
Service income from corporate finance	**4,814**	5,500
	22,088	18,682

4. SEGMENT INFORMATION

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

(1) The brokerage and margin financing segment engages in securities 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 by reportable segments:

For the six months ended 30 September 2014

	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	**16,015**	**(2,655)**	**4,814**	**3,505**	**409**	**–**	**22,088**
Inter-segment turnover (Note)	**–**	**–**	**200**	**–**	**1,664**	**(1,864)**	**–**
	16,015	**(2,655)**	**5,014**	**3,505**	**2,073**	**(1,864)**	**22,088**
Segment profit (loss)	**(4,615)**	**(2,931)**	**722**	**4,282**	**(2,339)**	**–**	**(4,881)**
Unallocated operating income							**72**
Unallocated operating expense							**(24,396)**
Change in fair value of derivative component of convertible loan notes							**(973)**
Share of profits of associates							**3,623**
Share of profits of joint ventures							**1,386**
Finance costs							**(7,555)**
Loss before tax							**(32,724)**

For the six months ended 30 September 2013

	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 joint ventures							1,994
Finance costs							(6,670)
Loss before tax							(24,383)

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 of joint ventures, finance costs, interest income from financial institutions and income tax expense. This is the measure reported to the Board 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 2014** *HK$'000* **(Unaudited)**	At 31 March 2014 *HK$'000* (Audited)
Segment assets		
Brokerage and margin financing	**224,749**	238,375
Proprietary trading	**18,922**	22,464
Corporate finance	**5,941**	5,237
Money lending	**29,818**	33,476
Others	**84**	791
Total segment assets	**279,514**	300,343
Unallocated	**272,142**	267,146
Consolidated total assets	**551,656**	567,489
Segment liabilities		
Brokerage and margin financing	**100,221**	135,595
Corporate finance	**143**	228
Others	**187**	1,062
Total segment liabilities	**100,551**	136,885
Unallocated	**174,069**	121,312
Consolidated total liabilities	**274,620**	258,197

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 joint ventures, amounts due from joint ventures, certain other receivables, deposits and prepayments, derivative component of convertible loan notes and bank balances and cash – general.

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

5. OTHER REVENUE

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Handling fee income	**2,775**	630
Interest income on financial institutions	**98**	28
Gain on disposal of plant and equipment	**–**	15
Net exchange gain	**–**	13
Sundry income	**441**	854
	3,314	1,540

6. FINANCE COSTS

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**22**	2,290
Effective interest on corporate bonds interests not wholly repayable within five years	**2,516**	–
Effective interest on corporate bonds interests wholly repayable within five years	**569**	–
Effective interest expenses on convertible loan notes wholly repayable within five years	**4,448**	4,380
	7,555	6,670

7. LOSS BEFORE TAX

	Six months ended 30 September 2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging:		
Loss on disposal of plant and equipment	**1**	–
Operating lease in respect of rented premises	**8,480**	7,841
Staff costs, including Directors' remuneration	**19,876**	22,644
Retirement benefit scheme contributions	**486**	502

8. INCOME TAX EXPENSE

	Six months ended 30 September 2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– Under provision for prior period	**431**	76

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the six months ended 30 September 2014 and 2013.

Under the Law of the People's Republic of China (the "**PRC**") or ("**China**") 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 the six months ended 30 September 2014 and 2013.

9. 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 2014 (six months ended 30 September 2013: nil).

10. LOSS PER SHARE

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	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of diluted loss per share	**(32,917)**	(24,278)

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 2014	At 30 September 2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	**3,418,386**	3,418,386

11. TRADE RECEIVABLES

	At 30 September 2014 *HK$'000* (Unaudited)	At 31 March 2014 *HK$'000* (Audited)
Trade receivables from the business of dealing in securities		
– Cash clients	**5,491**	8,171
– Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**26,166**	4,036
– Margin clients	**190,264**	172,414
Trade receivables from other businesses	**2,456**	1,710
	224,377	186,331
Less: Impairment losses recognised	**(97,826)**	(66,884)
	126,551	119,447

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 an average credit period of 30 days to its trade customers of other business.

The Group allows a credit period of 30 days (31 March 2014: 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 2014	At 31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Less than 30 days	**32,924**	11,834
31 to 60 days	**88**	451
61 to 90 days	**4**	145
Over 90 days	**660**	1,079
	33,676	13,509

Trade receivables in relation to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$689,853,699 (31 March 2014: HK$1,327,360,000) 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 2014	At 31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Balance at the beginning of Period/year	**66,884**	101,781
Amounts written off as uncollectible	**19,015**	–
Reversal of impairment loss recognised	**(2,396)**	(39,550)
Recognised impairment loss during the Period/year	**14,323**	4,653
	97,826	66,884

12. LOAN RECEIVABLES

	At 30 September 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
Secured loan receivables	**14,792**	20,110
Unsecured loan receivables	**15,026**	13,366
	29,818	33,476

The secured loan receivables are secured by the equity shares of a listed company and bear interest at a fixed interest rate ranging from 12% to 20% per annum (31 March 2014: ranging from 10% to 15% per annum).

The unsecured loan receivables bear an interest rate ranging from 22% to 25% per annum (31 March 2014: ranging from 22% to 30% per annum). All unsecured loan receivables are guaranteed by a substantial shareholder and/or an independent third party as at 30 September 2014 and 31 March 2014.

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

	At 30 September 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
Less than 30 days	**454**	561
31-60 days	**32**	3,156
61-90 days	**10,031**	1,653
Over 90 days	**19,301**	28,106
	29,818	33,476

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

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2014 *HK$'000* (Unaudited)	At 31 March 2014 *HK$'000* (Audited)
Trade payables from the business of dealing in securities:		
– margin and cash clients	**100,237**	134,161
– HKSCC	**22,369**	1,914
Other payables and accruals	**1,278**	4,120
	123,884	140,195

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 2014, the Group had other payables and accruals of approximately HK$230,000 (31 March 2014: HK$202,000) which were denominated in USD.

14. SHARE CAPITAL

	Number of Shares	Amount *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2013 (audited), 31 March 2014 (audited) and 30 September 2014 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2013 (audited)	3,166,086,000	316,609
Issue of shares *(Note)*	252,300,000	25,230
At 31 March 2014 (audited) and 30 September 2014 (unaudited)	3,418,386,000	341,839

Note:

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.

15. COMMITMENTS

(i) Operating lease commitments

The Group as lessee

The Group leases certain of its office premises and equipments under operating lease arrangements. Lease for properties and equipments are negotiated for a term ranging from half year to five 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 2014 *HK$'000* **(Unaudited)**	At 31 March 2014 *HK$'000* (Audited)
Within one year	**18,487**	4,006
In the second to fifth years, inclusive	**22,057**	777
	40,544	4,783

(ii) Capital commitment

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

	At 30 September 2014 *HK$'000* **(Unaudited)**	At 31 March 2014 *HK$'000* (Audited)
Contracted but not provided for:		
Investment in joint ventures	**6,235**	7,279

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the period ended 30 September 2014, turnover of the Group amounted to approximately HK$22,088,000, representing an increase of approximately 18.23% from approximately HK$18,682,000 for the year ended 30 September 2013. The increase in turnover was mainly attributable to increase in turnover contributed from the securities broking and margin financing businesses and interest income from loan receivable.

The Group recorded a loss for the year of approximately HK$33,155,000, as compared with the loss of approximately HK$24,459,000 in the last year. The loss for the Period was principally attributable to a significant loss arising from the reduction on reversal of impairment losses and increase in impairment losses recognised in respect of trade receivables.

Due to the combined effect of increase in turnover, reduction on reversal of impairment losses and the increase of impairment losses recognised in respect of trading receivables, the net loss attributable to owners of the Company for the Period amounted to approximately HK$32,917,000, representing an increase of approximately 35.58% from approximately HK$24,278,000 in last year.

Review of Operations

Brokerage and margin financing

During the Period, the Group's revenue from brokerage and margin financing business showed improvement to approximately HK$16,015,000, representing an increase of 54.20% as compared to the revenue of approximately HK$10,386,000 for the corresponding period in 2013.

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$2,833,000 and dividend income of HK$178,000, as compared to net losses on trading of listed securities of HK$248,000 and dividend income of HK$148,000 for the corresponding period in 2013.

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.

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$5,014,000 (2013: HK$5,550,000).

Money lending

During the Period, the Group recorded interest income from loan receivables of approximately HK$3,505,000 (2013: HK$2,635,000), representing an increase of 33.02% compared with the corresponding period in 2013.

Other businesses

During the period, the Group recorded income from other business operations in the areas of insurance brokerage service and other consultancy service of approximately HK$409,000.

In December 2013, the Group has completed and disposed the business segment of media services and there are no such business segment income comparing with last year (2013: HK$639,000).

Prospects

Despite the stock market that is constantly changing, the impact of the US Federal Reserve tapering and other uncertainties in the global economy, the Group still holds a cautiously optimistic view on Hong Kong's economy as well as the prospects of the Group's business development and it is still confident that there is room for potential development.

In 2014, the China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong have approved, in principle, the development through a pilot programme (Shanghai-Hong Kong Stock Connect) for establishing mutual stock market access between Mainland China and Hong Kong.

Shanghai-Hong Kong Stock Connect is an important step towards the opening up of the China capital market and will enhance capital market connectivity between Mainland China and Hong Kong. Therefore, we expect that the performance of the stock market in Hong Kong and China to be relatively optimistic and the program might constitute a good business opportunity for the Group.

The IPO market in Hong Kong was more active this period and there were around 89 newly listed companies for the first nine months of 2014. There was an increase of around 98% when compared with the around 45 for the same period last year and the numbers include any transfers of listing from Growth Enterprise Market to Main Board of the Stock Exchange. The funds raised through IPOs for the first nine months of 2014 were around $131,324 million and there was an increase of around 119% when compared with around $59,904 million for the same period last year. We expect there will be an increase in our sponsorship business.

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. The Group will stand firm against difficulties and challenges, make strategic adjustments according to the market trend and create more development and growth opportunities for the Group.

Capital Structure

As at 30 September 2014, the total issued shares of the Company (the "**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 other borrowings.

As at 30 September 2014, the Group's current assets and current liabilities were approximately HK$442,122,000 (as at 31 March 2014: approximately HK$465,084,000) and approximately HK$168,522,000 (as at 31 March 2014: approximately HK$182,157,000) respectively, while the current ratio was about 2.62 times (as at 31 March 2014: 2.55 times).

As at 30 September 2014, the Group's aggregate cash and cash equivalents amounted to approximately HK$98,565,000 (as at 31 March 2014: approximately HK$87,011,000), representing approximately 22.29% (as at 31 March 2014: approximately 18.71%) of total current assets.

As at 30 September 2014, the Group had no bank and other borrowings (as at 31 March 2014: nil). During the Period, no financial instruments were used for hedging purposes.

As at 30 September 2014, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 53.18% (as at 31 March 2014: approximately 36.79%). The increase was mainly due to the issuance of corporate bonds during the Period.

As at 30 September 2014, the debt ratio, defined as total debts over total assets, was approximately 49.78% (as at 31 March 2014: approximately 45.50%).

Contingent Liabilities

During the period ended 30 September 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 Runtong Small Loans Limited*, an associate of the Group, in aggregate of approximately RMB7,500,000 (equivalent to approximately HK$9,563,000) (31 March 2014: HK$12,317,000).

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

Charge on the Group's Asset

No asset of the Group was subject to any charge as at 30 September 2014 (as at 31 March 2014: 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 2014, the Group had 81 employees in total (as at 31 March 2014: 81 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.

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 F(HK)SL 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.

Event After The Reporting Period

There are no material event affecting the Group which have occurred since the end of the financial period.

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, save as disclosed below.

Throughout the Six Months Ended 30 September 2014

Mr. LAM Ka Wai Graham ("**Mr. Lam**") who was an independent non-executive Director resigned from the Board 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 and a 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, the Company does not comply with Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules which were explained below:

(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 was 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.

On 9 July 2014, Mr. CHAN Kin Sang ("**Mr. Chan**") was appointed as an independent non-executive Director and a member of the Audit Committee of the Company. Following the appointment of Mr. Chan as an independent non-executive Director and a member of the Audit Committee, the Company has fulfilled the requirements of minimum number of independent non-executive Directors and Audit Committee members under Rules 3.10(1), 3.10(A) and 3.21 of the Listing Rules. For the details of the appointment, please refer to the announcement of the Company dated 9 July 2014.

Since 1 April 2014, there have been a number of changes in the Board as set out below:–

– Mr. LAM Ka Wai Graham resigned as an independent non-executive Director with effect from 11 April 2014 due to his other business commitments.

– Mr. ZHANG Min resigned as an executive Director and the chairman of the Board with effect from 1 July 2014 due to his other personal commitment.

– Mr. WONG Kam Fat Tony was redesignated from a non-executive Director to an executive Director and from the vice-chairman to the chairman of the Board with effect from 1 July 2014.

– Mr. CHAN Kin Sang was appointed as an independent non-executive Director with effect from 9 July 2014.

The Composition of Board Committees remains the same as set out in the annual report of the Company for the year ended 31 March 2014, save that

– Mr. ZHANG Min ceased to be a member of the Remuneration Committee with effect from 1 July 2014 following his resignation as an executive Director and the chairman of the Board.

– Mr. WONG Kam Fat Tony was appointed as a member of the Remuneration Committee with effect from 1 July 2014.

– Mr. CHAN Kin Sang was appointed as a member of the Audit Committee with effect from 9 July 2014.

Directors' Updated Biographical Details

Mr. NG Cheuk Fan Keith, an executive Director and the Managing Director of the Company, was appointed as an independent non-executive director of China Eco-Farming Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (the "**GEM**") with effect from 1 September 2014.

Mr. TAM B Ray Billy, an independent non-executive Director of the Company, has resigned as a non-executive director of Larry Jewelry International Company Limited, a company listed on the GEM with effect from 19 September 2014.

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 2014 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.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang (from 9 July 2014) and Mr. TAM B Ray Billy. Mr. LAM Ka Wai Graham was a member of the Audit Committee and he ceased to be a member on his resignation from the Board on 11 April 2014.

Review of Financial Information

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, 10 November 2014

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. WONG Kam Fat Tony (Chairman), Mr. NG Cheuk Fan Keith (Managing Director), Mr. HON Chun Yu and Mr. XIA Yingyan; one non-executive Director, namely Mr. WU Ling; and three independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok and Mr. TAM B Ray Billy.