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 2019

The board (the "**Board**") of directors (the "**Directors**") of China Fortune Financial Group Limited (the "**Company**") announces that the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 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 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**108,072**	96,404
Cost of brokerage and other services		**(12,139)**	(15,948)
Other income	*5*	**6,101**	3,421
(Impairment)/reversal of impairment loss on loan and trade receivables		**(3,952)**	10,282
Change in fair value of equity investments		**(646)**	(8,038)
Staff costs		**(100,103)**	(60,148)
Other operating expenses		**(55,950)**	(53,813)
Finance costs	*6*	**(54,591)**	(42,126)
Share of profit of associates		**10,465**	7,768
Share of loss of joint ventures		**—**	(26)

	Notes	**2019** HK$'000	2018 HK$'000
Loss before tax	*7*	**(102,743)**	(62,224)
Income tax expense	*8*	**(1,436)**	(3,226)
Loss for the year		**(104,179)**	(65,450)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(966)**	2,683
Share of other comprehensive (expense)/income of associates		**(7,947)**	8,998
Share of other comprehensive (expense)/income of joint ventures		**(106)**	98
		(9,019)	11,779
Total comprehensive expense for the year		**(113,198)**	(53,671)
		HK cents	*HK cents*
Loss per share for loss attributable to equity holders of the Company			
Basic	*10*	**(1.38)**	(0.95)
Diluted	*10*	**(1.38)**	(0.95)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property and equipment		**17,898**	13,890
Goodwill		**3,994**	3,994
Loan receivables	*11*	**3,791**	5,206
Other non-current assets		**7,104**	8,350
Interests in associates		**102,432**	99,914
Interests in joint ventures		**1,087**	1,158
		136,306	132,512
Current assets			
Equity investments		**121,288**	112,856
Held-to-maturity investment		**—**	60,302
Loan and trade receivables	*11*	**356,146**	339,674
Other receivables, deposits and prepayments		**91,547**	17,410
Tax recoverable		**4,890**	—
Bank balances and cash — trust		**531,568**	210,353
Bank balances and cash — general		**243,755**	480,823
		1,349,194	1,221,418
Current liabilities			
Trade payables, other payables and accruals	*12*	**550,469**	227,894
Loan payables		**100,259**	359,295
Convertible bonds		**195,244**	—
Corporate bonds		**10,340**	10,184
Tax payable		**727**	2,933
		857,039	600,306
Net current assets		**492,155**	621,112
Total assets less current liabilities		**628,461**	753,624

	Note	**2019**	2018
		HK$'000	*HK$'000*
Non-current liabilities			
Convertible bonds		**72,823**	223,481
Corporate bonds		**147,912**	154,377
		220,735	377,858
Net assets		**407,726**	375,766
Capital and reserves			
Share capital	*13*	**91,531**	70,861
Reserves		**316,195**	304,905
Total equity		**407,726**	375,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and 43rd Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The Company is an investment holding and its subsidiaries are principally engaged in securities and proprietary trading and insurance brokerage, asset management, margin financing, provision of corporate finance services and money lending services.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. Figures are rounded up to the nearest thousand unless otherwise specified.

These consolidated financial statements for the year ended 31 March 2019 were approved by the board of directors on 26 June 2019.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amended HKFRSs that are effective for annual periods beginning or after 1 April 2018

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2018.

- HKFRS 9 — *Financial Instruments*
- HKFRS 15 — *Revenue from Contracts with Customers and the related Amendments*
- Amendments to HKFRS 2 — *Classification and Measurement of Share-based Payment Transactions*
- Amendments to HKFRS 4 — *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
- Amendments to HKFRS 1 — *As part of the Annual Improvements to HKFRSs 2014–2016 Cycle*
- Amendments to HKAS 28 —*As part of the Annual Improvements to HKFRSs 2014–2016 Cycle*
- Amendments to HKAS 40 — *Transfers of Investment Property*
- HK (IFRIC)-Int 22 —*Foreign Currency Transactions and Advance Consideration*

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit losses ("**ECL**") model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 April 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in accumulated losses.

The adoption of HKFRS 9 has impacted the following areas:

— the classification and measurement of the Group's financial assets: for bank balances and cash — trust and general, loan and trade receivables and other receivables and deposits are previously classified as loans and receivables under HKAS 39, are now classified at financial assets measured at amortised cost under HKFRS 9.

— the classification and measurement of the Group's financial assets. Management holds financial assets to hold and collect the associated cash flows. The 5% coupon bond previously classified as held-to-maturity investments under HKAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and pass contractual cash flow characteristics test in HKFRS 9.

— investments in listed equity securities and unlisted equity investment previously classified as investments held for trading and available-for-sale investments under HKAS 39 measured at fair value with gain or loss on fair value changes being recognised in profit or loss and at cost less impairment, respectively, are now measured at fair value. The listed equity investments are now classified at financial assets at fair value through profit or loss. The Group elected to irrevocably designate the unlisted equity investment at fair value with changes presented in other comprehensive income. Since the accounting treatment of investments in unlisted equity investment carried at cost less impairment under HKAS 39 is no longer applicable under HKFRS 9, the carrying amount as at 1 April 2018 was not restated as the differences among changes in classification as 1 April 2018 was not considered significant.

— HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model of the financial assets measured at amortised cost (including bank balances and cash — trust and general, loan and trade receivables and other receivables and deposits).

For trade receivables (excluded margin financing), the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables (excluded margin financing) have been grouped based on the days past due. The Group has therefore concluded that the ECL rates for trade receivables (excluded margin financing) are a reasonable approximation of the loss rates.

The Group measures the loss allowance for loan receivables and margin financing receivables, other receivables and deposits and bank balances and cash — trust and general equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

Upon the adoption of HKFRS 9, no additional ECL allowance has been recognised against accumulated losses as at 1 April 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 April 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognised different types of revenue.

Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The adoption of HKFRS 15 does not have a significant impact on adjusting the transaction price containing significant financing component on the financial statements as at date of initial application.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

- HKFRS 16 — *Leases*[1]
- HKFRS 17 — *Insurance Contracts*[3]
- Amendments to HKFRS 9 — *Prepayment Features with Negative Compensation*[1]
- Amendments to HKFRS 10 and HKAS 28 — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
- Amendments to HKAS 19 — *Plan Amendment, Curtailment or Settlement*[1]
- Amendments to HKAS 28 — *Long-term Interests in Associates and Joint Ventures*[1]
- Amendments to HKFRS 3 — *Definition of a Business*[5]
- Amendments to HKAS 1 and HKAS 8 — *Definition of Material*[2]
- Amendments to HKFRSs — *Annual Improvements to HKFRSs 2015–2017 Cycle*[1]
- HK(IFRIC)-Int 23 — *Uncertainty over Income Tax Treatments*[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date not yet determined
[5] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations.

Currently the Group classifies leases into operating leases. The Group enters into leases as lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value at the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of office premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning or on after 1 April 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 16(a), as at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately HK$34,466,000 for properties, the majority of which is payable either between 1 to 5 years after the reporting date.

Upon the initial application of HKFRS 16, the Group plans to measure the rights-of-use assets at an amount equal to the lease liability (subject to certain adjustments)/as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

3. REVENUE

Revenue represents the net amounts received and receivable for services provided in the normal course of business. An analysis of the Group's revenue for the years ended 31 March 2019 and 2018 is as follows:

	2019	2018
	HK$'000	*HK$'000*
Dividend income	**3,733**	1,223
Bond interest income	**1,594**	1,711
Income from securities brokerage business	**19,975**	35,447
Interest income from money lending business	**10,364**	9,368
Income from insurance brokerage business	**2,594**	1,621
Income from asset management business	**2,578**	35
Margin interest income from securities brokerage business	**17,200**	13,156
Service income from corporate finance	**50,034**	33,829
Others	**—**	14
	108,072	96,404

The Group derives revenue from the services over time and at a point in time in the following table.

	2019
	HK$'000
Revenue from contracts with customers by timing of recognition	
Overtime:	
Service income from corporate finance	**50,034**
Income from asset management business	**2,578**
At a point in time:	
Income from securities brokerage business	**19,975**
Income from insurance brokerage business	**2,594**
Bond interest income	**1,594**
Revenue from contracts with customers within the scope of HKFRS 15	**76,775**
Other information:	
Dividend income	**3,733**
Interest income from money lending business	**10,364**
Margin interest income from securities brokerage business	**17,200**
	108,072

Unsatisfied performance obligations

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 March are as follows:

	2019
	HK$'000
Within one year	43,780

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance is focus on the type of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

1) The brokerage and margin financing segment engages in securities business 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 and factoring segment engages in the provision of money lending and factoring services in Hong Kong;

5) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong; and

6) The asset management segment engages in the provision of asset management and advisory services to professional investors.

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' remunerations, and certain other operating income (interest income and gains on equity investments). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market prices.

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	Brokerage and margin financing		Proprietary trading		Corporate finance		Money lending and factoring		Consultancy and insurance brokerage		Asset management		Inter-segment elimination		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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*	***HK$'000***	*HK$'000*
Revenue																
External revenue	**38,769**	50,314	**366**	1,223	**50,034**	33,829	**10,364**	9,368	**2,594**	1,635	**5,945**	35	**—**	—	**108,072**	96,404
Inter-segment revenue	**—**	—	**—**	—	**—**	250	**—**	—	**—**	—	**44**	300	**(44)**	(550)	**—**	—
	38,769	50,314	**366**	1,223	**50,034**	34,079	**10,364**	9,368	**2,594**	1,635	**5,989**	335	**(44)**	(550)	**108,072**	96,404
Interest income	**116**	41	**25**	1	**2**	—	**—**	—	**7**	7	**8**	—	**—**	—	**158**	49
(Loss)/profit on equity investments	**—**	—	**(6,223)**	(8,038)	**—**	—	**—**	—	**—**	—	**5,577**	—	**—**	—	**(646)**	(8,038)
Finance costs	**(5,959)**	(37)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(5,959)**	(37)
Others	**(16,277)**	(20,883)	**—**	(626)	**(50,659)**	(21,710)	**(2,655)**	6,965	**(3,475)**	(6,751)	**(8,120)**	(3,865)	**—**	—	**(81,186)**	(46,870)
Segment profit/(loss)	**16,649**	29,435	**(5,832)**	(7,440)	**(623)**	12,369	**7,709**	16,333	**(874)**	(5,109)	**3,454**	(3,530)	**(44)**	(550)	**20,439**	41,508
Unallocated operating income															**5,399**	1,391
Unallocated operating expense															**(86,832)**	(71,079)
Unallocated other income, gains or losses															**(3,582)**	303
Share of profit of associates															**10,465**	7,768
Share of loss of joint ventures															**—**	(26)
Finance costs															**(48,632)**	(42,089)
Loss before tax															**(102,743)**	(62,224)

Segment assets and liabilities

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

	2019	2018
	HK$'000	*HK$'000*
Segment assets		
Brokerage and margin financing	**725,192**	501,034
Proprietary trading	**23,788**	123,014
Corporate finance	**30,522**	21,350
Money lending and factoring	**257,001**	158,449
Consultancy and insurance brokerage	**6,957**	4,309
Asset management	**207,985**	6,426
Total segment assets	**1,251,445**	814,582
Unallocated	**234,055**	539,348
Consolidated assets	**1,485,500**	1,353,930

	2019	2018
	HK$'000	*HK$'000*
Segment liabilities		
Brokerage and margin financing	**532,531**	217,477
Proprietary trading	**169**	146
Corporate finance	**13,119**	2,567
Money lending and factoring	**3,886**	373
Consultancy and insurance brokerage	**910**	3,180
Asset management	**209**	86
Total segment liabilities	**550,824**	223,829
Unallocated	**526,950**	754,335
Consolidated liabilities	**1,077,774**	978,164

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

- all assets are allocated to operating segments other than certain property and equipment for general operations, other non-current assets (excluded financial instruments), interests in associates and joint ventures, certain other receivables, deposits and prepayments and certain bank balances and cash — general; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, liability component of convertible bonds, corporate bonds, loan and tax payable.

Other segment information

	Brokerage and margin financing		Proprietary trading		Corporate finance		Money lending and factoring		Consultancy and insurance brokerage		Asset management		Unallocated		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment results or segment assets:																
Additions to non-current assets (exclude financial instruments)	**346**	—	**7,163**	—	**—**	36	**—**	—	**48**	—	**—**	—	**—**	13,134	**7,557**	13,170
Bad debt written off	**—**	—	**—**	—	**—**	—	**—**	—	**—**	116	**—**	—	**—**	55	**—**	171
Depreciation	**34**	187	**3,196**	795	**9**	5	**—**	—	**1**	2	**—**	—	**85**	34	**3,325**	1,023
Reversal of impairment loss recognised in respect of trade receivables	**(60)**	(1,920)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(60)**	(1,920)
Reversal of impairment loss recognised in respect of loan receivables	**—**	—	**—**	—	**—**	—	**—**	(8,362)	**—**	—	**—**	—	**—**	—	**—**	(8,362)
Impairment loss recognised in respect of trade receivables	**4,012**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**4,012**	—
Gain on disposal of property and equipment	**(205)**	—	**(130)**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(123)	**(335)**	(123)

The amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets are not material for both years ended 31 March 2019 and 2018.

Information about major customers

No customer individually contributed over 10% of the Group's aggregate revenue for the year ended 31 March 2019. (Revenue of approximately HK$9,946,000 was derived from a customer that contributed approximately 10.32% to the Group's aggregate revenue for the year ended 31 March 2018).

Geographical information

The Group's operations are mainly located and carried out in Hong Kong. Accordingly, no geographical information related to revenue has been presented. The following table sets out information about the Group's property and equipment, other non-current assets (excluded equity investments), goodwill, interests in associates and joint ventures ("**specified non-current assets**"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment, the location of the operation to which they are allocated, in the case of goodwill, and the location of operations, in the case of interests in associates and joint ventures.

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**97,149**	93,723
The People's Republic of China (the "**PRC**")	**35,102**	33,583
	132,251	127,306

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income from financial institutions	**3,293**	1,192
Gain on disposal of subsidiaries	**—**	180
Gain on disposal of property and equipment	**335**	123
Sundry income	**2,438**	1,926
Gain on disposal of a joint venture	**35**	—
	6,101	3,421

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on bank and loan payables	**9,122**	1,690
Interests on corporate bonds	**14,915**	15,880
Interests on convertible bonds	**30,554**	24,556
	54,591	42,126

7. LOSS BEFORE TAX

Loss before tax after charging:

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**1,050**	832
Bad debt written off on trade and other receivables	**—**	171
Depreciation	**3,325**	1,023
Exchange losses, net	**172**	1,277
Operating lease payments	**20,333**	19,185
Staff costs:		
— Directors' remunerations	**17,104**	14,240
— salaries and allowance	**81,134**	44,593
— retirement benefit scheme contributions (excluding Directors)	**1,865**	1,315
	100,103	60,148

8. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax		
— Current year	**1,464**	2,189
— (Over)/under provision in respect of prior years	**(30)**	1,030
	1,434	3,219
PRC		
— Current tax	**2**	7
Total income tax expense	**1,436**	3,226

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25%, and the profits above HK$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong profits tax of Fortune Finance Limited, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime.

Hong Kong Profits Tax has been provided at the rate of 16.5% in the estimated assessable profit for the year ended 31 March 2018.

The tax charge for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(102,743)**	(62,224)
Tax at domestic income tax rate of 16.5% (2018: 16.5%)	**(16,952)**	(10,266)
Tax effect of expenses not deductible for tax purpose	**1,758**	2,504
Tax effect of incomes not taxable for tax purpose	**(3,489)**	(888)
Tax effect of share of profit of associates	**(1,727)**	(1,282)
Tax effect of share of loss of joint ventures	**—**	4
Under provision in respect of final tax assessment	**—**	2,520
(Over)/under provision in respect of prior years	**(30)**	1,030
Effect of different tax rates of PRC branches and two-tiered profit tax rate	**(183)**	7
Utilisation of tax losses not recognised in previous years	**(427)**	(8,911)
Tax effect of tax losses not recognised	**22,486**	18,508
Tax for the year	**1,436**	3,226

At 31 March 2019, the Group had estimated unused tax losses of approximately HK$534,201,000 (2018: HK$400,510,000) available for offset against future profits, the tax losses are subject to the agreement by the Hong Kong Inland Revenue Department (the "**IRD**"). No deferred tax asset recognised for the years ended 31 March 2019 and 2018.

During the year 31 March 2017, arose from tax losses of approximately HK$12 million which amount is estimated by the Group on the same basis in the objection lodged to the IRD. The objection was in response to IRD's re-assessments raised against the Group's year of assessment prior to 31 March 2016. The Group had purchased tax reserve certificates with an aggregate amount of approximately HK$7,883,000 in August 2016 as directed by the Commissioner of the IRD. During the year 31 March 2018, the final tax assessment was issued by IRD. The related tax losses carried forward are utilised and the remaining tax reserve certificates were refunded after offset the tax payment of the disputation.

Under the Law of 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' assessable profits for the year ended 31 March 2019 have been fully absorbed by the tax loss brought forward from prior years. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during the year 31 March 2018.

Tax losses of approximately HK$15,434,000 (2018: HK$6,761,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. During the year, no tax loss have been expired. The remaining tax losses of approximately HK$518,767,000 (2018: HK$393,749,000) do not expire under current tax legislation.

Under the New EIT Law, 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 2019 and 2018, deferred taxation has not been provided for in the consolidated 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 2019 and 2018.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2019, nor has any dividend been proposed since the end of the Reporting Year (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(104,179)**	(65,450)

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,576,482**	6,860,511

The calculation of diluted loss per share for the years ended 31 March 2019 and 2018 does not assume the exercise of the Company's outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share. Therefore, the diluted loss per share is the same as the basic loss per share for the year.

11. LOAN AND TRADE RECEIVABLES

Loan and trade receivables comprise i) trade receivables arising from security brokerage business and other businesses and ii) loan receivables arising from money lending business.

	Notes	2019 HK$'000	2018 HK$'000
Trade receivables	a)	**122,527**	190,603
Loan receivables — current	b)	**233,619**	149,071
		356,146	339,674
Loan receivables — non current	b)	**3,791**	5,206
		359,937	344,880

(a) Trade receivables

The followings are the balances of trade receivables, net of ECL:

	2019 HK$'000	2018 HK$'000
Trade receivables from security brokerage business		
— cash clients	**686**	333
— Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**1,073**	2,860
— margin clients	**118,498**	172,943
Trade receivables from other businesses	**6,456**	14,701
	126,713	190,837
Less: Impairment loss	**(4,186)**	(234)
	122,527	190,603

The settlement terms of trade receivables, 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. Also the settlement terms of HKSCC is 2 trading days after the transaction dates.

No aging analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, and only fall due on conditions or on demand by the Group. The Directors of the Company consider that an aging analysis does not give additional value in the view of the value of business of margin financing.

The following is an aging analysis of trade receivables (excluding margin clients), net of ECL, as at 31 March 2019 and 2018 based on the invoice date which approximated the respective revenue recognition dates was as follows:

	2019	2018
	HK$'000	*HK$'000*
Less than 30 days	**6,856**	17,722
31 to 60 days	**87**	100
61 to 90 days	**102**	10
Over 90 days	**1,170**	62
	8,215	17,894

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of approximately HK$455,482,000 (2018: HK$1,416,859,000) which could be realised at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The trade receivables from cash and margin clients are repayable on demand and bear interest at commercial rates. As at 31 March 2019, included in the total trade receivables, approximately HK$114,997,000 (2018: HK$164,941,000) were interest bearing whereas approximately HK$7,530,000 (2018: HK$25,662,000) were non-interest bearing. There is no re-pledge of the collateral from margin clients in both years.

(b) Loan receivables

	2019	2018
	HK$'000	*HK$'000*
Non-current portion		
Secured loan receivables	**2,169**	2,386
Unsecured loan receivables	**1,622**	2,820
	3,791	5,206
Current portion		
Secured loan receivables	**180,427**	146,099
Unsecured loan receivables	**53,192**	2,972
	233,619	149,071
	237,410	154,277

The secured loan receivables are secured by equity shares of listed companies with fair value of approximately HK$424,118,000 and second mortgage over certain property units (2018: equity shares of listed companies with fair value of approximately HK$372,280,000 and second mortgage over certain property units) and bear interest at a fixed interest rate at 9% to 18% (2018: 9% to 22.5%) per annum.

The unsecured loan receivables carry interest at fixed interest rate at 12% to 15% (2018: 15%) per annum. The unsecured loan receivables are guaranteed by an independent third party as at 31 March 2019 (2018: guaranteed by an independent third party).

The following table illustrated the aging analysis, net of ECL, based on the loan drawdown date, of the loan receivables outstanding at reporting date:

	2019	2018
	HK$'000	*HK$'000*
Less than 30 days	**51,873**	2,666
31 to 60 days	**156,552**	35,000
61 to 90 days	**103**	—
Over 90 days	**28,882**	116,611
	237,410	154,277

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

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Trade payables from the business of dealing in securities:		
— margin and cash clients	**530,820**	211,804
Property and equipment payables	**385**	1,949
Other payables and accruals	**19,264**	14,141
	550,469	227,894

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

13. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 April 2017, 31 March 2018 and 31 March 2019	20,000,000	200,000
Issued and fully paid:		
At 1 April 2017, ordinary shares of HK$0.01 each	4,036,729	40,367
Issue of shares for convertible bonds exercised	3,049,350	30,494
At 31 March 2018, ordinary shares of HK$0.01 each	7,086,079	70,861
Issue of shares for convertible bonds exercised	650,000	6,500
Issue of shares upon subscription	1,417,000	14,170
At 31 March 2019, ordinary shares of HK$0.01 each	9,153,079	91,531

14. DISPOSALS OF COMPONENTS OF THE GROUP

There was no other material disposal of components of the Group during the years ended 31 March 2019 and 2018.

15. 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 Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of convertible bonds, corporate bonds, loan payables, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure regularly. As part of this review, the Directors of the Company consider the cost of capital and the associated risks with each class of capital, and take appropriate actions to adjust the Group's capital structure.

For certain subsidiaries of the Group, they are regulated by Securities & Futures Commission ("**SFC**") and are required to comply with certain minimum capital requirements according to the rules of SFC. Management monitors, on a daily basis, the subsidiaries' liquid capital to ensure 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.

Another subsidiary of the Group is a member of the Professional Insurance Brokers Association Limited and is required to maintain a minimum net asset value of HK$100,000 at all times.

There is no non-compliance of the capital requirements imposed by the respective regulators during both years.

16. COMMITMENTS AND CONTINGENCIES

(a) 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 one 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.

As at 31 March 2019 and 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**18,844**	16,780
In the second to fifth year, inclusive	**15,622**	23,869
	34,466	40,649

(b) Capital commitment

The Group had the following capital commitment at reporting date:

	2019	2018
	HK$'000	*HK$'000*
Contracted but not provided for:		
Investment in a joint venture	**5,515**	6,136

17. EVENTS AFTER THE REPORTING DATE

(i) On 9 November 2017, the subscription agreement dated 23 January 2017 entered into by the Group in relation to the establishment of a joint venture was terminated due to a change in the shareholding structure of the joint venture company. On 9 November 2017, the Group therefore entered into a new subscription agreement with independent third parties in relation to the establishment of the joint venture at total investment amount of RMB1,000 million (equivalent to approximately HK$1,174 million) and the Group shall contribute an aggregate amount of RMB300 million (equivalent to approximately HK$352 million) and hold 30% shareholding in the joint venture. The establishment of the joint venture is subject to approval by the China Securities Regulatory Commission. As at the date of the announcement, the approvals had yet to be obtained in this regard.

(ii) On 11 April 2019, Marvel Champion Investment Limited, a direct wholly owned subsidiary of the Company, has placed an order, to subscribe the bonds up to a maximum principal amount of US$15,900,000 (equivalent to approximately HK$125,000,000). The bonds bear an annual interest rate of 6.375% and are due on 15 April 2020. On 12 April 2019, the principal amount of US$11,000,000 (equivalent to approximately HK$86,477,600) have been allocated. The total consideration for the subscription is approximately HK$86,477,600 (including transaction cost).

(iii) On 9 May 2019, Marvel Champion Investment Limited, a direct wholly owned subsidiary of the Company, has placed an order, to subscribe the new senior notes up to a maximum principal amount of US$15,900,000 (equivalent to approximately HK$125,000,000). The senior notes bear an annual interest rate of 7.75% payable semi-annually in arrears and are due on 28 February 2021. On 10 May 2019, the principal amount of US$8,500,000 (equivalent to approximately HK$66,810,000) have been allocated. The total consideration for the subscription is approximately HK$66,810,000 (including transaction cost).

(iv) On 20 May 2019, Marvel Champion Investment Limited, a direct wholly owned subsidiary of the Company, has placed an order, to acquire the notes in the principal amount of US$12,000,000 (equivalent to approximately HK$94,200,000) from the vendor at a total consideration of US$11,923,320 (equivalent to approximately HK$93,598,062) (including transaction cost). The notes bear an annual coupon rate of 6.5% payable semi-annually in arrears and are due on 20 May 2022.

18. COMPARATIVE FIGURES

Certain comparative figures in these consolidated financial statements were reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2019 (the "**Reporting Year**"), revenue of the Group amounted to approximately HK$108,072,000, representing an increase of approximately 12% from approximately HK$96,404,000 for the year ended 31 March 2018.

The Group recorded a loss of approximately HK$104,179,000 for the year ended 31 March 2019, as compared with the loss of approximately HK$65,450,000 for the corresponding period in 2018. Net loss attributable to owners of the Company amounted to approximately HK$104,179,000 for the Reporting Year, representing a increase of approximately 59% comparing with the loss of approximately HK$65,450,000 for the corresponding period in 2018. The overall performance of net loss attributable to owners of the Company was mainly due to significant increase in expenses in the year ended 31 March 2019 (1) increase in staff costs; (2) decrease in reversal of impairment loss on loan and trade receivables and increase in impairment loss on trade receivables; (3) increase of comprehensive expense of an associated company, and (4) increase in finance costs attributable to convertible bonds and loans.

The basic and diluted loss per share of the Company for the Reporting Year was approximately HK1.38 cents as compared with the basic and diluted loss per share of approximately HK0.95 cents for the corresponding period in 2018.

BUSINESS REVIEW

Brokerage and margin financing

The business of brokerage and margin financing is one of the main revenue streams of the Group. During the Reporting Year, the business of brokerage and margin financing recorded a revenue of approximately HK$38,769,000, representing a decrease of approximately 22.95% as compared to the revenue of approximately HK$50,314,000 for the corresponding period in 2018.

The segment profit for the year ended 31 March 2019 amounted to approximately HK$16,649,000 (2018: approximately HK$29,435,000), representing a decrease in profit of approximately 43.44% as compared with the corresponding period in 2018.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our corporate finance business as well as wealth management business, in order to provide a one-stop integrated financial services to better serve our institutional and high networth individual clients.

Proprietary trading

During the Reporting Year, all securities traded were shares listed on the Stock Exchange. The proprietary trading segment recorded a revenue of approximately HK$366,000 (2018: approximately HK$1,223,000) and recorded a segment loss of approximately HK$5,832,000 (2018: approximately HK$7,440,000). The respective segment loss was due to fair value change of the securities held for trading by the Group.

Corporate finance

The corporate finance market was under a keen competition during the Reporting Year. Segment revenue from corporate finance business significantly increased by approximately 46.82% from approximately HK$34,079,000 to approximately HK$50,034,000 while the segment loss for the year ended 31 March 2019 amounted to approximately HK$623,000 (2018: segment profit of approximately HK$12,369,000), representing a significant decrease in profit of approximately HK$12,992,000, as compared with the corresponding period in 2018.

Money lending and factoring

During the Reporting Year, the money lending market was under intensive competition locally. The Group recorded an interest income from money lending of approximately HK$10,364,000 (2018: approximately HK$9,368,000), representing an increase of approximately 10.63% as compared with the corresponding period in 2018.

Consultancy and insurance brokerage

During the Reporting Year, the Group recorded a segment revenue from consultancy services and insurance brokerage services of approximately HK$2,594,000 (2018: approximately HK$1,635,000), representing a significant increase of approximately 58.65% as compared with the corresponding period in 2018.

Asset management

During the Reporting Year, the Group recorded a segment revenue from asset management of approximately HK$5,989,000 (2018: approximately HK$335,000), representing a significant increase of approximately 1687.76% as compared with the corresponding period in 2018.

ISSUE OF CONVERTIBLE BONDS

On 22 November 2016, the Company (as the issuer) entered into each of the Cinda Subscription Agreement, the PAL Subscription Agreement and the Riverhead Capital Subscription Agreement (each as defined below) in relation to the issue of convertible bonds in an aggregate principal amount of HK$570,000,000.

(i) The Company entered into a subscription agreement (the "**Cinda Subscription Agreement**") with Mankind Investment Limited (the "**Mankind**"), pursuant to which, Mankind agreed to subscribe to the convertible bonds in the principal amount of HK$110,754,000 (the "**Convertible Bonds to Mankind**").

(ii) On 21 September 2016, the Company entered into a subscription agreement with Pacific Alliance Limited (the "**PAL**"), and subsequently a supplemental agreement on 22 November 2016 (the "**PAL Subscription Agreement**"), pursuant to which, PAL agreed to subscribe to the convertible bonds in the principal amount of HK$153,585,000 (the "**Convertible Bonds to PAL**"). On 8 January 2018, PAL sold the Convertible Bonds to PAL to Value Convergence Holdings Limited.

(iii) The Company entered into a subscription agreement (the "**Riverhead Capital Subscription Agreement**") with Riverhead Capital (International) Management Co., Limited ("**Riverhead Capital**"), pursuant to which, Riverhead Capital agreed to subscribe to the convertible bonds in the aggregate principal amount of HK$305,661,000 (the "**Convertible Bonds to Riverhead Capital**") in 4 tranches.

Completion of subscriptions (i), (ii) and tranche 1 of subscription (iii) above (altogether, the "**Tranche 1 Convertible Bonds**") took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead Capital are all bear an interest rate of 2% and mature on the third (3rd) anniversary of the date of issue of the convertible bonds with both dates inclusive at the conversion price of HK$0.06 per conversion share. Upon full conversion of the Tranche 1 Convertible Bonds by all subscribers at the conversion price of HK$0.06, a total number of 6,500,000,000 conversion shares will be issued, subject to adjustments to the conversion price of HK$0.06.

The net proceeds raised through the issue of the Tranche 1 Convertible Bonds were approximately HK$385,000,000, in which i) approximately HK$180,000,000 had been used for the injection of capital to a wholly-owned subsidiary of the Company and expanding its margin financing and underwriting business; ii) approximately HK$150,000,000 for expanding its money lending business; iii) approximately HK$12,000,000 for engaging in private equity investments; iv) approximately HK$9,000,000 for strengthening the capital base of its subsidiaries and v) the remaining balance of approximately HK$34,000,000 for the general working capital of the Group.

The Convertible Bonds to Mankind was exercised in approximately 51.74% of original principal amount, which was equivalent to the amount of HK$57,300,000 at the conversion price of HK$0.06 on 27 April 2017. After completion of conversion, the number of 955,000,000 shares was being issued on 28 April 2017. Furthermore, the tranche 1 of the Convertible Bonds to Riverhead Capital was also exercised in full in the principal amount of HK$125,661,000 at the conversion price of HK$0.06 on 27 April 2017. After the completion of conversion, the number of 2,094,350,000 shares was being issued on 28 April 2017.

Following the exercise of tranche 1 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 2 took place on 28 June 2017. The net proceeds raised through the issue of tranche 2 of the Convertible Bonds to Riverhead Capital were HK$60,000,000, in which approximately HK$50,000,000 will be used for further expanding its margin financing business and approximately HK$10,000,000 for its underwriting business.

Following the completion of tranche 2 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 3 took place on 5 July 2018. The net proceeds raised through the issue of tranche 3 of the Convertible Bonds to Riverhead Capital are HK$60,000,000, in which approximately HK$36,000,000 had been used for further strengthening the proprietary trading business, approximately HK$12,000,000 had been used for engagement in private equity investments such as pre-IPO investment, and approximately HK$12,000,000 had been used for the asset management business as seed money to the existing funds and/or new funds.

The tranche 3 of the Convertible Bonds to Riverhead Capital was exercised in 65% of original principal amount, which was equivalent to the amount of HK$39,000,000 at the conversion price of HK$0.06 on 13 January 2019. After the completion of conversion, the number of 650,000,000 shares was being issued on 14 January 2019.

For details of the Cinda Subscription Agreement, PAL Subscription Agreement and Riverhead Capital Subscription Agreement and the relevant transactions, please refer to the circular dated 13 December 2016 and announcements of the Company dated 21 September 2016, 22 November 2016, 5 January 2017, 30 March 2017, 28 April 2017, 5 July 2018 and 14 January 2019.

With reference made to the mentioned circular and announcements, Tranche 1 Convertible Bonds, tranche 2 of the Convertible Bonds to Riverhead Capital and tranche 3 of the Convertible Bonds to Riverhead Capital were issued pursuant to the resolutions passed at the extraordinary general meeting held on 5 January 2017. The total funds raised from and the details of the use of proceeds of the said tranches are as follows:

Tranche 1 Convertible Bonds

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the year ended 31 March 2019	Unutilized proceeds as at 31 March 2019	Expected timeline for the use of unutilized Proceeds and reasons for delay
a.	Expanding the margin financing and underwriting businesses	HK$60,000,000	HK$60,000,000	HK$0	Not applicable
b.	Establishment of a joint venture Company to be formed in the PRC (the "**JV Company**") under the Closer Economic Partnership Arrangement	HK$120,000,000	HK$0	HK$120,000,000	The proceeds is planned to be applied in accordance with the intended use as disclosed in the circular dated 13 December 2016. Documents to supplement the application made to China Securities Regulatory Commission for establishment of the JV Company was last made on 27 July 2018 while the timeframe is subject to the said regulator's approval
c.	Expanding its money lending business	HK$150,000,000	HK$150,000,000	HK$0	Not applicable
d.	Engaging in private equity investments	HK$12,000,000	HK$12,000,000	HK$0	Not applicable
e.	Proprietary trading	HK$5,000,000	HK$5,000,000	HK$0	Not applicable
f.	Strengthening the capital base of wealth management business	HK$2,000,000	HK$2,000,000	HK$0	Not applicable
g.	Strengthening the capital base of corporate financing business	HK$2,000,000	HK$2,000,000	HK$0	Not applicable
h.	General working capital	HK$34,000,000	HK$34,000,000	HK$0	Not applicable

Tranche 2 of the Convertible Bonds to Riverhead Capital

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the year ended 31 March 2019	Unutilized proceeds as at 31 March 2019	Expected timeline for the use of unutilized proceeds
a.	Further expanding the margin financing business	HK$50,000,000	HK$50,000,000	HK$0	Not applicable
b.	Further strengthening the underwriting businesses	HK$10,000,000	HK$10,000,000	HK$0	Not applicable

Tranche 3 of the Convertible Bonds to Riverhead Capital

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the year ended 31 March 2019	Unutilized proceeds as at 31 March 2019	Expected timeline for the use of unutilized proceeds
a.	Further strengthening the proprietary trading business	HK$36,000,000	HK$36,000,000	HK$0	Not applicable
b.	Further engagement in private equity investments	HK$12,000,000	HK$12,000,000	HK$0	Not applicable
c.	For the asset management business to be used as seed money to the existing funds and/or new funds	HK$12,000,000	HK$12,000,000	HK$0	Not applicable

OUTLOOK

We believe that the turbulent market not only brings challenges, but also brings tremendous opportunities. Looking back at the history of Hong Kong's capital market in the past 50 years, after experiencing ups and downs, companies that strictly controlled the risks and adhered to the principles of investment and management not only survived healthily but also survived for a long time. In 2019, when the momentum of global economic growth was significantly weakened, the Federal Reserve slowed down the pace of interest rate increase and entered the cycle of interest rate reduction. Europe also postponed the schedule of interest rate increase. After the Central Economic Working Conference in 2018, "Stable employment, stable finance, stable investment, stable foreign investment, stable foreign trade and stable expectations" will be the theme for a considerable period of time in the future. Therefore, the Company will adhere to the principles of stability, accuracy, quickness and strictness, maintain the current business stability, accurately judge the market situation, and make quick decisions and quickly implement such decisions, and, under the premise of strict risk control and cost control, make further breakthroughs in business to offer greater returns to shareholders.

CAPITAL STRUCTURE

As at 31 March 2019, the nominal value of the total issued share capital of the Company was approximately HK$91,531,000 comprising 9,153,078,859 shares of the Company of HK$0.01 each (the "**Shares**").

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries of the Group, the Group ensures each of them maintains a liquid capital level that is 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.

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 convertible bonds, corporate bonds, loan, 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 risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remains unchanged during the years ended 31 March 2019 and 2018.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission (the "**SFC**") of Hong Kong 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 level to ensure they meet with the minimum liquid capital requirement in accordance with the Hong Kong 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 of the subsidiaries 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 2019 and 2018.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

During the Reporting Year, the Group mainly financed its operations by cash generated from operating activities, loans, and issuance of the convertible bonds.

As at 31 March 2019, the Group's current assets and current liabilities were approximately HK$1,349,194,000 (2018: approximately HK$1,221,418,000) and approximately HK$857,039,000 (2018: approximately HK$600,306,000) respectively, while the current ratio was about 1.57 times (2018: 2.03 times).

As at 31 March 2019, the Group's aggregate cash and cash equivalents amounted to approximately HK$243,755,000 (2018: approximately HK$480,823,000), of which approximately 68.98% was denominated in Hong Kong dollars ("**HK$**") (2018: approximately 95.57%), approximately 25.37% was denominated in United States dollars ("**USD**") (2018: approximately 1.80%), and approximately 5.65% was denominated in Renminbi ("**RMB**") (2018: approximately 2.63%), representing approximately 18.07% (2018: approximately 39.37%) of total current assets. As at 31 March 2019, the Group had bank loans with accrued interest in approximately HK$100,259,000 (2018: bank loans of approximately HK$359,295,000).

During the Reporting Year, no financial instruments were used for hedging purposes. As at 31 March 2019, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 129.15% (2018: approximately 198.88%). The decrease in ratio was mainly due to conversion of convertible bonds during the Reporting Year. The debt ratio, defined as total debts over total assets, was approximately 72.50% (2018: approximately 72.25%).

During the year ended 31 March 2019 and 2018, no additional corporate bond was issued.

SIGNIFICANT INVESTMENT

As at 31 March 2019, the Group held equity investments of approximately HK$121,288,000 (2018: approximately HK$112,856,000), with unrealised loss at approximately HK$187,000 (2018: approximately HK$9,789,000). The financial assets were traded by the Group and realised a net loss of approximately HK$459,000 (2018: net gain of approximately HK$1,751,000) during the year ended 31 March 2019.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group has no material contingent liabilities (2018: nil).

CHARGE ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 March 2019 (2018: 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 Reporting Year, the Group mainly used Hong Kong dollars in its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

HUMAN RESOURCES

As at 31 March 2019, the Group had 101 employees in total (2018: 86 employees). The related employees' costs for the Reporting Year (excluding Directors' remunerations) amounted to approximately HK$82,999,000 (2018: approximately HK$45,908,000). 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2019.

EVENTS AFTER THE REPORTING DATE

Details of the events after the reporting date are set out in note 17 to this results announcement.

CORPORATE GOVERNANCE

The Company's commitment to the highest standards of corporate governance is driven by the Board which, led by the chairman of the Company, assumes overall responsibility for the governance of the Company, taking into account of the interests of the sharehloders of the Company (the "**Shareholders**"), the development of its businesses 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 Listing Rules.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the year ended 31 March 2019, the Company has complied with all code provisions and, where appropriate, met the recommended best practices of the CG Code.

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. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Year.

RECORD DATE FOR ANNUAL GENERAL MEETING

In order to determine the eligibility of the Shareholders to attend and vote at the annual general meeting (the "**AGM**") of the Company which is scheduled to be held on 29 August 2019, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on 23 August 2019. Shareholders whose names are recorded in the register of members of the Company on 23 August 2019 are entitled to attend and vote at the AGM.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "**Audit Committee**") comprises four independent non-executive Directors, namely Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang, Mr. CHIU Kung Chik and Mr. LI Gaofeng. 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 2019.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this announcement have been agreed by the Group's auditors, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2019. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on this announcement.

PUBLICATION OF THE ANNUAL REPORT

The 2019 annual report of the Company will be dispatched to the Shareholders and published on the websites of the Stock Exchange at *www.hkexnews.hk* and the Company at *www.290.com.hk* in late July 2019.

By order of the Board of
China Fortune Financial Group Limited
HUA Yang
Chief Executive Officer
and Executive Director

Hong Kong, 26 June 2019

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. HUA Yang and Mr. ZHU Yi; three non-executive Directors, namely Mr. HAN Hanting, Mr. CHEN Zhiwei and Mr. WU Ling; and four independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok, Mr. CHIU Kung Chik and Mr. LI Gaofeng.