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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

The board (the "**Board**") of directors (the "**Directors**") of China Fortune Financial Group Limited ("**China Fortune**" or 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 2020 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 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	3	**179,401**	108,072
Net investment losses	7	**(13,384)**	(646)
Cost of brokerage and other services		**(21,057)**	(12,139)
Other income	5	**8,317**	6,101
Expected credit losses ("**ECL**") on trade receivables, net		**(5,409)**	(3,952)
Staff costs	7	**(89,742)**	(100,103)
Other operating expenses	7	**(59,583)**	(55,950)
Finance costs	6	**(58,326)**	(54,591)
Share of (losses)/profits of associates		**(2,363)**	10,465
Share of losses of joint ventures		**(30)**	—

	Notes	**2020** HK$'000	2019 HK$'000
Loss before tax	*7*	**(62,176)**	(102,743)
Income tax expense	*8*	**(9,638)**	(1,436)
Loss for the year		**(71,814)**	(104,179)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,430)**	(966)
Share of other comprehensive expense of associates		**(4,903)**	(7,947)
Share of other comprehensive expense of joint ventures		**(65)**	(106)
		(12,398)	(9,019)
Total comprehensive expense for the year		**(84,212)**	(113,198)
		HK cents	*HK cents*
Loss per share for loss attributable to equity holders of the Company			
Basic	*10*	**(0.78)**	(1.38)
Diluted	*10*	**(0.78)**	(1.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property and equipment		**22,373**	17,898
Goodwill		**3,994**	3,994
Loan receivables	*11*	**3,448**	3,791
Other non-current assets		**6,978**	7,104
Interests in associates		**95,166**	102,432
Interests in joint ventures		**992**	1,087
		132,951	136,306
Current assets			
Financial assets at fair value through profit or loss ("**FVTPL**")		**222,173**	121,288
Loan and trade receivables	*11*	**353,618**	356,146
Contract assets		**1,132**	—
Other receivables, deposits and prepayments		**27,159**	91,547
Tax recoverable		—	4,890
Bank balances and cash — trust		**114,565**	531,568
Bank balances and cash — general		**315,132**	243,755
		1,033,779	1,349,194
Current liabilities			
Trade payables, other payables and accruals	*12*	**333,679**	550,469
Contract liabilities		**110**	—
Lease liabilities		**14,006**	—
Loan payables		**252,600**	100,259
Convertible bonds		**61,937**	195,244
Corporate bonds		**43,064**	10,340
Tax payable		**8,929**	727
		714,325	857,039
Net current assets		**319,454**	492,155
Total assets less current liabilities		**452,405**	628,461

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Lease liabilities		**1,269**	—
Convertible bonds		**19,300**	72,823
Corporate bonds		**108,322**	147,912
		128,891	220,735
Net assets		**323,514**	407,726
Capital and reserves			
Share capital	*13*	**91,531**	91,531
Reserves		**231,983**	316,195
Total equity		**323,514**	407,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in securities and insurance brokerage and provision of asset management, corporate finance, margin financing 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 2020 were approved by the board of directors on 29 June 2020.

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

New and amended HKFRSs that are effective for annual periods beginning from 1 April 2019

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 from 1 April 2019.

- HKFRS 16 — *Leases*
- Amendments to HKFRS 9 — *Prepayment Features with Negative Compensation*
- Amendments to HKAS 19 — *Plan Amendment, Curtailment or Settlement*
- Amendments to HKAS 28 — *Long-term Interests in Associates and Joint Ventures*
- Amendments to HKFRS — *Annual Improvements to HKFRSs 2015-2017 Cycle*
- HK (IFRIC)-Int 23 — *Uncertainty over Income Tax Treatments*

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 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of HKFRS 16, being 1 April 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historical assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 2.38%.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

	HK$'000
Total operating lease commitments disclosed at 31 March 2019 before discounting	34,466
Less: Lease with remaining lease term of less than 12 months	(178)
Less: Others	(408)
Discounting using incremental borrowing rate as at 1 April 2019	(803)
Total lease liabilities recognised under HKFRS 16 at 1 April 2019	33,077
Classified as:	
Current lease liabilities	19,443
Non-current lease liabilities	13,634
	33,077

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019:

	HK$'000
Increase in right-of-use assets	33,077
Increase in current lease liabilities	19,443
Increase in non-current lease liabilities	13,634

The adoption of HKFRS 16 also results in changes in accounting policy of leases.

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 17 — *Insurance Contracts* [2]
- Amendments to HKFRS 10 and HKAS 28 — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
- Amendments to HKFRS 3 — *Definition of a Business* [4]
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — *Interest Rate Benchmark Reform* [1]
- Amendments to HKFRS 16 — *Covid-19 — Related Rent Concessions*[5]
- Amendments to HKAS 1 and HKAS 8 — *Definition of Material* [1]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective date not yet determined

[4] 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

[5] Effective for annual periods beginning on or after 1 June 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. The directors expected that the adoption of these new and amended HKFRSs will not have a material impact on the Group's consolidated financial statements.

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 2020 and 2019 is as follows:

	2020	2019
	HK$'000	*HK$'000*
Dividend income	**1,151**	3,733
Income from securities brokerage business	**57,056**	21,569
Interest income from money lending business	**40,702**	10,364
Income from insurance brokerage business	**2,260**	2,594
Income from asset management business	**18,570**	2,578
Margin interest income from securities brokerage business	**7,705**	17,200
Service income from corporate finance	**51,957**	50,034
	179,401	108,072

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers by timing of recognition		
Overtime:		
Service income from corporate finance	**51,957**	50,034
Income from asset management business	**5,425**	2,578
At a point in time:		
Income from securities brokerage business	**57,056**	21,569
Income from insurance brokerage business	**2,260**	2,594
Revenue from contracts with customers within the scope of HKFRS 15	**116,698**	76,775
Other information:		
Dividend income	**1,151**	3,733
Interest income from asset management business	**13,145**	—
Interest income from money lending business	**40,702**	10,364
Margin interest income from securities brokerage business	**7,705**	17,200
	179,401	108,072

Unsatisfied performance obligations

The unsatisfied performance obligations are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 securities brokerage and margin financing segment engages in securities brokerage and margin financing in Hong Kong;

(2) The corporate finance segment engages in the provision of corporate finance services;

(3) The money lending and factoring segment engages in the provision of money lending and factoring services in Hong Kong;

(4) The consultancy and insurance brokerage segment engages in the provision of consultancy services and insurance brokerage in Hong Kong; and

(5) The asset management segment engages in the provision of asset management and advisory services to professional investors and the management of financial investments.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of central administration expenses, directors' remunerations, and other operating income. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment. Inter-segment sales are charged at prevailing market prices.

For the purposes of current year's segment presentation, the segment information of proprietary trading has been combined with securities brokerage and margin financing and unallocated accounts, accordingly the comparative figures have been reclassified. In addition, certain comparative figures have been reclassified in order to conform to the current year's presentation.

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.

For the year ended 31 March 2020

	Securities brokerage and margin financing	Corporate finance	Money lending and factoring	Consultancy and insurance brokerage	Asset management	Unallocated	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	64,944	51,957	40,702	2,260	19,538	—	—	179,401
Inter-segment revenue	(7,313)	—	—	133	513	—	6,667	—
Net investment losses	(3,952)	(345)	—	—	(9,087)	—	—	(13,384)
Total	53,679	51,612	40,702	2,393	10,964	—	6,667	166,017
Finance costs	(26)	—	—	—	(2,201)	(56,099)	—	(58,326)
Others	(36,545)	(50,484)	(3,393)	(2,705)	(18,743)	(48,937)	(6,667)	(167,474)
Segment results	17,108	1,128	37,309	(312)	(9,980)	(105,036)	—	(59,783)
Share of losses of associates								(2,363)
Share of losses of joint ventures								(30)
Loss before tax								(62,176)
Income tax expense								(9,638)
Loss for the year								(71,814)

For the year ended 31 March 2019 (restated)

	Securities brokerage and margin financing	Corporate finance	Money lending and factoring	Consultancy and insurance brokerage	Asset management	Unallocated	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	39,135	50,034	10,364	2,594	5,945	—	—	108,072
Inter-segment revenue	—	—	—	—	44	5,888	(5,932)	—
Net investment gains/(losses)	(5,572)	45	—	—	5,658	(777)	—	(646)
Total	33,563	50,079	10,364	2,594	11,647	5,111	(5,932)	107,426
Finance costs	(5,959)	—	—	—	—	(54,520)	5,888	(54,591)
Others	(23,832)	(48,335)	(3,442)	(3,393)	(18,465)	(68,620)	44	(166,043)
Segment results	3,772	1,744	6,922	(799)	(6,818)	(118,029)	—	(113,208)
Share of profits of associates								10,465
Share of losses of joint ventures								—
Loss before tax								(102,743)
Income tax expense								(1,436)
Loss for the year								(104,179)

Segment assets and liabilities

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

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Segment assets		
Securities brokerage and margin financing	**250,805**	737,636
Corporate finance	**47,783**	30,522
Money lending and factoring	**289,948**	257,001
Consultancy and insurance brokerage	**720**	6,957
Asset management	**309,841**	207,985
Total segment assets	**899,097**	1,240,101
Unallocated	**267,633**	245,399
Consolidated assets	**1,166,730**	1,485,500
Segment liabilities		
Securities brokerage and margin financing	**115,588**	532,531
Corporate finance	**12,841**	13,119
Money lending and factoring	**4,996**	3,886
Consultancy and insurance brokerage	**149**	910
Asset management	**884**	209
Total segment liabilities	**134,458**	550,655
Unallocated	**708,758**	527,119
Consolidated liabilities	**843,216**	1,077,774

For the purpose of monitoring segment performance 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 assets at fair value through other comprehensive income ("**FVOCI**")), 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, lease liabilities, liability component of convertible bonds, corporate bonds, loan and tax payable.

Other segment information

	Securities brokerage and margin financing		Corporate finance		Money lending and factoring		Consultancy and insurance brokerage		Asset management		Unallocated		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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 assets at FVOCI)	**9**	346	**—**	—	**—**	—	**—**	48	**4**	—	**697**	7,163	**710**	7,557
Bad debt written off on trade receivables	**—**	—	**600**	—	**—**	—	**—**	—	**—**	—	**—**	—	**600**	—
Depreciation on property and equipment	**93**	34	**9**	10	**—**	—	**—**	—	**4**	49	**10,300**	3,232	**10,406**	3,325
Depreciation on right-of-use assets	**—**	—	**—**	—	**—**	—	**—**	—	**548**	—	**18,356**	—	**18,904**	—
Reversal of impairment loss recognised in respect of trade receivables	**—**	(60)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(60)
ECL on trade receivables	**5,409**	4,012	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**5,409**	4,012
Loss/(gain) on disposal of property and equipment	**2**	(205)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(130)	**2**	(335)

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 2020 and 2019.

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue during the years ended 31 March 2020 and 2019 is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer 1	**19,399**	N/A*
Customer 2	**19,381**	—

* The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year.

Note: The revenue contributed from customer 1 and 2 is derived from the money lending business and the securities brokerage business, respectively.

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 regulatory deposits and financial assets at FVOCI), 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.

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**105,879**	96,919
The People's Republic of China (the "**PRC**")	**23,256**	35,102
	129,135	132,021

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Interest income from financial institutions	**4,143**	3,293
Gain on disposal of property and equipment	—	335
Sundry income	**4,174**	2,438
Gain on disposal of a joint venture	—	35
	8,317	6,101

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Finance charges on lease liabilities	**643**	—
Interests on bank and loan payables	**11,222**	9,122
Interests on corporate bonds	**13,830**	14,915
Interests on convertible bonds	**32,631**	30,554
	58,326	54,591

7. LOSS BEFORE TAX

Loss before tax after charging:

	2020	2019
	HK$'000	*HK$'000*
Net investment losses:		
Net realised losses on financial assets at FVTPL	**8,526**	459
Net unrealised losses on financial assets at FVTPL	**4,858**	187
	13,384	646
Other operating expenses:		
Auditor remuneration	**900**	1,050
Bad debt written off on trade receivables	**600**	—
Bank charges	**962**	1,217
Depreciation on:		
— right-of-use assets	**18,904**	—
— property and equipment	**10,406**	3,325
Entertainment	**4,041**	4,334
Exchange losses, net	**5,405**	172
Information and communication fee	**2,556**	3,825
Lease charges on:		
— property held under operating leases	**—**	20,333
— short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	**194**	—
Legal and professional fee	**3,507**	5,245
Loss on disposal of property and equipment	**2**	—
Rates and building management fee	**2,393**	2,169
Travelling expenses	**3,227**	4,508
Other expenses	**6,486**	9,772
	59,583	55,950

	2020	2019
	HK$'000	*HK$'000*
Staff costs:		
Directors' remunerations	**20,531**	17,104
Salaries and allowance	**77,354**	91,120
Retirement benefit scheme contributions (excluding Directors)	**1,644**	1,865
	99,529	110,089
Less: Staff costs included in cost of services	**(9,787)**	(9,986)
	89,742	100,103

Included in the net realised losses on financial assets at FVTPL of approximately HK$8,526,000, an amount of approximately HK$828,000 was related to the investment brought forward from prior year of which HK$5,284,000 has been recognised as the unrealised gain in the year ended 31 March 2019. The remaining amount of approximately HK$7,698,000 was related to the realised losses on current year investments.

8. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— Current year	**9,690**	1,464
— Over provision in respect of prior years	**(52)**	(30)
	9,638	1,434
PRC		
— Current tax	**—**	2
Total income tax expense	**9,638**	1,436

The provision for Hong Kong Profits Tax for the year ended 31 March 2020 is calculated at 16.5% (2019: 16.5%) based on the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million profits of the qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

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 (1) the assessable profits for one of the PRC's subsidiary for the years ended 31 March 2020 and 2019 have been fully absorbed by the tax loss brought forward from prior years; and (2) the other PRC subsidiaries did not have any assessable profits subject to PRC EIT Law for the year ended 31 March 2020 and 2019.

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:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(62,176)**	(102,743)
Tax at domestic income tax rate of 16.5% (2019: 16.5%)	**(10,259)**	(16,952)
Tax effect of expenses not deductible for tax purpose	**5,099**	1,758
Tax effect of incomes not taxable for tax purpose	**(3,249)**	(3,489)
Tax effect of share of losses/(profits) of associates	**390**	(1,727)
Tax effect of share of losses of joint ventures	**5**	—
Over provision in respect of prior years	**(52)**	(30)
Effect of different tax rates of PRC branches and two-tiered profits tax rate	**(487)**	(183)
Utilisation of tax losses not recognised in previous years	**(624)**	(427)
Tax effect of tax losses not recognised	**18,815**	22,486
Tax for the year	**9,638**	1,436

At 31 March 2020, the Group had estimated unused tax losses of approximately HK$686,121,000 (2019: HK$579,223,000) available for offset against future profits, the tax losses are subject to the agreement by the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised for the years ended 31 March 2020 and 2019.

As at 31 March 2020, tax losses of approximately HK$17,647,000 (2019: HK$15,434,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. During the year, tax loss of approximately HK$1,194,000 (2019: Nil) have been expired.

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 2020 and 2019, deferred taxation has not been provided for in the consolidated financial statements as the Company's subsidiaries and joint ventures did not have any unremitted earnings and the Group is able to control the timing of the reversal of the temporary difference of the associates.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting year (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(71,814)**	(104,179)

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**9,153,079**	7,576,482

The calculation of diluted loss per share for the years ended 31 March 2020 and 2019 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 securities brokerage business and other businesses and (ii) loan receivables arising from money lending business.

	Notes	2020 HK$'000	2019 HK$'000
Trade receivables	(a)	**72,469**	122,527
Loan receivables — current	(b)	**281,149**	233,619
		353,618	356,146
Loan receivables — non-current	(b)	**3,448**	3,791
		357,066	359,937

(a) Trade receivables

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

	2020 HK$'000	2019 HK$'000
Trade receivables from securities brokerage business		
— cash clients	**44**	686
— Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**—**	1,073
— margin clients	**76,446**	118,498
Trade receivables from other businesses	**5,574**	6,456
	82,064	126,713
Less: ECL	**(9,595)**	(4,186)
	72,469	122,527

The settlement terms of trade receivables from cash client and HKSCC arising from securities brokerage business are two trading days after trade date. The Group allows an average credit period of 30 days to its customer of other businesses.

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 nature of these receivables.

The following is an aging analysis of trade receivables (excluding margin clients), net of ECL, as at 31 March 2020 and 2019 based on the invoice date was as follows:

	2020	2019
	HK$'000	*HK$'000*
Less than 30 days	**3,266**	6,856
31 to 60 days	**120**	87
61 to 90 days	**134**	102
Over 90 days	**2,098**	1,170
	5,618	8,215

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of approximately HK$139,656,000 (2019: HK$455,482,000) 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 2020 included in the total trade receivables, approximately HK$66,895,000 (2019: HK$114,997,000) were interest bearing whereas approximately HK$5,574,000 (2019: HK$7,530,000) were non-interest bearing. There is no re-pledge of the collateral from margin clients in both years.

(b) Loan receivables

	2020	2019
	HK$'000	*HK$'000*
Non-current portion		
Secured loan receivables	**2,137**	2,169
Unsecured loan receivables	**1,311**	1,622
	3,448	3,791
Current portion		
Secured loan receivables	**185,801**	180,427
Unsecured loan receivables	**95,348**	53,192
	281,149	233,619
	284,597	237,410

The secured loan receivables are secured by all monies, deposits and the equity shares of listed companies with fair value of approximately HK$534,807,000 in the securities broker account and second mortgage over certain property units (2019: all monies, deposits and the equity shares of listed companies with fair value of approximately HK$424,118,000 in the securities broker account and second mortgage over certain property units) and bear interest at a fixed interest rate at 12% to 15% (2019: 9% to 18%) per annum.

The unsecured loan receivables carry interest at fixed interest rate at 12% to 15% (2019: 12% to 15%) per annum. The unsecured loan receivables are guaranteed by an independent third party as at 31 March 2020 (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Less than 30 days	**2,440**	51,873
31 to 60 days	**1,922**	156,552
61 to 90 days	**9,462**	103
Over 90 days	**270,773**	28,882
	284,597	237,410

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

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020	2019
	HK$'000	*HK$'000*
Trade payables from the business of dealing in securities:		
— margin and cash clients	**103,549**	530,820
— HKSCC	**8,283**	—
	111,832	530,820
Property and equipment payables	**—**	385
Other payables and accruals	**221,847**	19,264
	333,679	550,469

The settlement terms of trade payable to HKSCC is two trading days after the trade dates.

No aging analysis is disclosed for the Group's trade payables to margin and cash clients as these clients were carried on an open account basis. The directors of the Company consider that the aging analysis does not give additional value in the view of the nature of these payables.

As at 31 March 2020, the other payables and accruals mainly represent the outstanding principal reclassified from liability component of convertible bonds upon maturity.

13. SHARE CAPITAL

	Notes	Number of shares *'000*	Amount *HK$'000*
Authorised:			
Ordinary shares of HK$0.01 each at 1 April 2018, 31 March 2019 and 31 March 2020		20,000,000	200,000
Issued and fully paid:			
At 1 April 2018, ordinary shares of HK$0.01 each		7,086,079	70,861
Issue of shares for convertible bonds exercised	*(a)*	650,000	6,500
Issue of shares upon subscription	*(b)*	1,417,000	14,170
At 31 March 2019 and 31 March 2020, ordinary shares of HK$0.01 each		9,153,079	91,531

(a) Issue of shares for convertible bonds exercised

On 14 January 2019, the holder of convertible bond series 2019 A exercised the conversion option attached to the convertible bond in the principal amount of HK$39,000,000 at the conversion price of HK$0.06 per share, accordingly 650,000,000 ordinary shares were allotted and issued to the bond holder.

(b) Issue of shares upon subscription

On 13 December 2018, the Company entered into subscription agreement with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue a total of 1,417,000,000 subscription shares at the subscription price of HK$0.07 per subscription share.

All the conditions of the subscription agreements have been fulfilled and the completion of the subscriptions took place on 31 December 2018. 700,000,000 and 717,000,000 subscription shares were allotted and issued to Ms. Sit Lai Hei and Eastasia Power Holding Limited, respectively by the Company, at the subscription price of HK$0.07 per subscription share.

14. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

The Group as lessee

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

As at 31 March 2020 and 2019, the Group had commitments for short-term leases (2019: future minimum lease payments under non-cancellable operating leases) which fall due as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	—	18,844
In the second to fifth year, inclusive	—	15,622
	—	34,466

(b) Capital commitment

The Group had the following capital commitment at reporting date:

	2020	2019
	HK$'000	*HK$'000*
Contracted but not provided for:		
Investment in joint ventures	**5,053**	5,515

Other than the capital commitment of joint ventures as mentioned above, there was a subscription agreement dated 23 January 2017 entered into by the Group in relation to the establishment of a joint venture which was terminated on 9 November 2017 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 and the Group shall contribute an aggregate amount of RMB300 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 this announcement, the approvals had yet to be obtained in this regard.

15. EVENTS AFTER THE REPORTING DATE

(a) After the outbreak of Coronavirus Disease 2019 (the "**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

(b) On 29 January 2019, Fortune Finance Limited, a wholly-owned subsidiary of the Company (the "**Lender**"), Shine Well Holdings Limited (the "**Borrower**") and Mr. Lai Tse Ming, being a sole director and sole shareholder of the Borrower (the "**Guarantor**") entered into the loan agreement (the "**Loan Agreement**"), pursuant to which the Lender has agreed to grant to the Borrower a loan in the principal amount of HK$155,000,000 bearing an interest rate of 12% per annum for a period of 12 months (subject to extension) (the "**Loan**") from and including the date of utilization of the Loan (the "**Drawdown Date**").

On 13 May 2020, the Lender, the Borrower and the Guarantor entered into a supplemental loan agreement (the "**Supplemental Loan Agreement**"), pursuant to which, among other things, the Lender agreed to extend the repayment date of the Loan from 12 months after the Drawdown Date (i.e. 30 January 2020) to 21 months after the Drawdown Date (i.e. 31 October 2020) on the terms and subject to the conditions therein. Subject to the Lender's prior written consent, the repayment date can be further extended for a further 6 months to 30 April 2021.

The entering into of the Supplemental Loan Agreement, when aggregated with the interest income derived from the Loan since its drawdown constitutes a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and is therefore subject to the announcement and shareholders' approval requirements under the Listing Rules. An extraordinary general meeting ("**EGM**") will be convened for the shareholders of the Company (the "**Shareholders**") to consider and approve the Supplemental Loan Agreement. A circular containing, among others, further details of Supplemental Loan Agreement and a notice of the EGM will be despatched to the Shareholders.

For details of the Loan Agreement and Supplemental Loan Agreement, please refer to announcements of the Company dated 29 January 2019, 13 May 2020 and 15 May 2020.

16. 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 2020 (the "**Reporting Year**"), revenue and net investment losses of the Group amounted to approximately HK$166,017,000 representing an increase of approximately 54.54% from approximately HK$107,426,000 for the year ended 31 March 2019. The increase was mainly attributable to increase in revenue contributed from the Group's securities brokerage and margin financing business and money lending business.

The Group recorded a loss of approximately HK$71,814,000 for the year ended 31 March 2020, as compared with the loss of approximately HK$104,179,000 for the corresponding period in 2019. Net loss attributable to owners of the Company amounted to approximately HK$71,814,000 for the Reporting Year, representing a reduction of approximately 31.07% comparing with the loss of approximately HK$104,179,000 for the corresponding period in 2019. Despite (1) the increase in cost of brokerage business; (2) the increase in losses in fair value of financial assets at FVTPL; and (3) the loss in the share of associates as compared to that for the year ended 31 March 2019, the overall performance of net loss attributable to owners of the Company was improved in the year ended 31 March 2020 mainly due to (1) substantial increase in revenue; and (2) decrease in staff costs.

The basic and diluted loss per share of the Company for the Reporting Year was approximately HK0.78 cents as compared with the basic and diluted loss per share of approximately HK1.38 cents for the corresponding period in 2019.

BUSINESS REVIEW

Impact of Coronavirus Disease 2019 on the Group's overall business

The outbreak of Coronavirus Disease 2019 ("**COVID-19**") since the first quarter of 2020 has shattered every economic sector on a global scale. COVID-19 may have certain impacts on the Group's corporate finance business, as some IPO projects may be affected as some of the works to be conducted on site were affected with the exercise of isolating measures such as quarantine after travelling from other places and lockdown of a region or even a country. While the COVID-19 epidemic may affect the operation of the Group's corporate finance business in a degree, the Group's operation is generally stable and there is no significant adverse impact on the financial position and operating results of the Group at present.

Securities brokerage and margin financing

The business of securities brokerage and margin financing is one of the main revenue streams of the Group. During the Reporting Year, the business of securities brokerage and margin financing recorded a revenue and net investment losses of approximately HK$53,679,000, representing an increase of approximately 59.94% as compared to the revenue and net investment losses of approximately HK$33,563,000 for the corresponding period in 2019. The increase in revenue was mainly contributed from the Group's underwriting business.

The segment profit for the year ended 31 March 2020 amounted to approximately HK$17,108,000 (2019: approximately HK$3,772,000), representing an increase in profit of approximately 353.55% as compared with the corresponding period in 2019.

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.

Corporate finance

The corporate finance market was under a keen competition during the Reporting Year. Segment revenue from corporate finance business and net investment losses/gains increased by approximately 3.06% from approximately HK$50,079,000 to approximately HK$51,612,000 while the segment profit for the year ended 31 March 2020 amounted to approximately HK$1,128,000 (2019: approximately HK$1,744,000), representing a decrease in profit of approximately HK$616,000, as compared with the corresponding period in 2019.

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$40,702,000 (2019: approximately HK$10,364,000), representing an increase of approximately 292.72% as compared with the corresponding period in 2019. Such growth was primarily attributable to the growth in average loan balance which was the result of the Group's effort in expanding lending business.

Consultancy and insurance brokerage

During the Reporting Year, the Group recorded a segment revenue from consultancy services and insurance brokerage services of approximately HK$2,393,000 (2019: approximately HK$2,594,000), representing a reduction of approximately 7.75% as compared with the corresponding period in 2019.

Asset management

During the Reporting Year, the Group recorded a segment revenue and net investment losses from asset management of approximately HK$10,964,000 (2019: segment revenue and net investment gains of approximately HK$11,647,000), representing a slightly decrease of approximately 5.86% as compared with the corresponding period in 2019.

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 ("**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, 955,000,000 shares was being issued on 28 April 2017. Furthermore, 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, 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 11 January 2019. After the completion of conversion, 650,000,000 shares was being issued on 14 January 2019.

The tranche 4 of the Convertible Bonds to Riverhead Capital were not issued due to the non-satisfaction of the conditions precedents set out in the Riverhead Capital Subscription Agreement.

The Convertible Bonds to Mankind matured on 30 March 2020. Pursuant to the terms and conditions of the Convertible Bonds to Mankind, the outstanding principal amount of HK$53,454,000 together with all accrued and unpaid interests was subsequently repaid on 3 April 2020.

The Convertible Bonds to PAL matured on 30 March 2020. Pursuant to the terms and conditions of the Convertible Bonds to PAL, the outstanding principal amount of HK$153,585,000 together with all accrued and unpaid interests shall be paid by the Company to the current bondholders of the Convertible Bonds to PAL. As at the date of this announcement, the Company has fully settled all accrued unpaid interest and repaid HK$134,000,000 of the outstanding principal amount of HK$153,585,000.

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, 14 January 2019, 30 March 2020 and 14 April 2020.

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 2020	Unutilized proceeds as at 31 March 2020	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 2020	Unutilized proceeds as at 31 March 2020	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 business	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 2020	Unutilized proceeds as at 31 March 2020	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

The beginning of the year 2020 can be aptly summarised by the quote "the only certainty in life is uncertainty". But opportunities often hide behind volatility, and they certainly favour daring and astute players. In the foreseeable future, the global economy will inevitably be under the influence of the development of the pandemic. Meanwhile, with the unfolding of important events such as the United States ("**US**") presidential election, the global market will also be affected by the strategic moves of two superpowers, namely China and the US, as well as by new international relationships in a post-COVID-19 world. However, we firmly believe that the pandemic will pass, we human beings will overcome the virus, and the long-term growth of China's overall economy will continue. We have strong confidence in the Chinese market and invest a lot in it. Based in Hong Kong and possessing a global vision, we provide services to Chinese enterprises. This is how China Fortune is to position itself in the future and this is its duty. China Fortune will adhere to its philosophy of "be steady, accurate, quick and decisive", keeping our existing business going steadily, assessing market trends accurately, making decisions quickly and executing them decisively. Under the principles of stringent risk and cost control, we will achieve further breakthroughs in our business and bring better rewards to the Shareholders.

CAPITAL STRUCTURE

As at 31 March 2020, 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 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 year, 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 the Shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes lease liabilities, convertible bonds, corporate bonds, loans, 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 2020 and 2019.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission 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 2020 and 2019.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

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

As at 31 March 2020, the Group's current assets and current liabilities were approximately HK$1,033,779,000 (2019: approximately HK$1,349,194,000) and approximately HK$714,325,000 (2019: approximately HK$857,039,000) respectively, while the current ratio was about 1.45 times (2019: 1.57 times).

As at 31 March 2020, the Group's aggregate cash and cash equivalents amounted to approximately HK$315,132,000 (2019: approximately HK$243,755,000), of which approximately 35.38% was denominated in Hong Kong dollars (2019: approximately 68.98%), approximately 38.45% was denominated in United States dollars ("**USD**") (2019: approximately 25.37%), and approximately 26.17% was denominated in Renminbi ("**RMB**") (2019: approximately 5.65%), representing approximately 30.48% (2019: approximately 18.07%) of total current assets. As at 31 March 2020, the Group had bank loans with accrued interest in approximately HK$252,600,000 (2019: approximately HK$100,259,000).

During the Reporting Year, no financial instruments were used for hedging purposes. As at 31 March 2020, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 154.71% (2019: approximately 129.15%). The increase in ratio was mainly due to the increase in bank loan payables during the Reporting Year. The debt ratio, defined as total debts over total assets, was approximately 72.27% (2019: approximately 72.55%).

During the year ended 31 March 2020 and 2019, no additional corporate bond was issued.

SIGNIFICANT INVESTMENT

As at 31 March 2020, the Group held financial assets at fair value through profit or loss of approximately HK$222,173,000 (2019: approximately HK$121,288,000), with unrealised loss at approximately HK$4,858,000 (2019: approximately HK$187,000). The financial assets were traded by the Group and realised a net loss of approximately HK$8,526,000 (2019: approximately HK$459,000) during the year ended 31 March 2020.

INVESTMENT PRODUCTS

The Company had and would continue to seek opportunities to make proper use of idle funds within the Group and, where appropriate, facilities from bank(s) or other financial institution, to invest on medium or low risk investment products, including but not limited to stocks, bonds, derivatives and structural products.

Everbright Convertible Opportunities Fund

Reference is made to the announcement dated 29 August 2018 with regards to entering into a fund investment agreement. On 29 August 2018, Galaxy Way Development Limited ("**GWDL**"), a wholly-owned subsidiary of the Company as the subscriber and, amongst others, CEL Fortune Convertible Opportunities Feeder Fund (the "**CEL Fund**"), a feeder fund, entered into an agreement pursuant to which, among other things, GWDL committed to invest up to, and had subscribed in four series at a total cost of, US$10 million (approximately HK$77,240,000, representing approximately 6.62% of the Company's total assets as at 31 March 2020) interest in Everbright Convertible Opportunities Fund, the master fund of the CEL Fund. The interest mentioned above was completely disposed during the Reporting Year and the investment performance is summarised as below:

	Investment costs *US$'000*	**Sales proceeds** *US$'000*	**Realised gain** *US$'000*	**Unrealised loss** *US$'000*	**Dividend income for the year** *US$'000*
Series 1	4,700	4,914	214	(176)	—
Series 2	1,200	1,255	55	(46)	—
Series 3	1,800	1,952	152	(169)	54
Series 4	2,300	2,495	195	(285)	70
Total	10,000	10,616	616	(676)	124

The master fund adopted broadly two investment strategies, namely, the convertible bond strategy and the credit strategy. The convertible bond strategy includes making investments in long dated equity options through convertible bonds and convertible arbitrage. The credit strategy includes making investments in fixed income securities, including, without limitation, investment grade bonds, below investment grade bonds, structured notes and mortgage-backed securities. The master fund may also invest, to a lesser extent, in deposits, money market instruments, equities, preference shares and other types of securities. As all interest had already been disposed during the Reporting Year, the Company makes no comment to the future prospect of such investment.

Bond-linked Notes issued by BOCOM

On 9 January 2019, GWDL, a wholly-owned subsidiary of the Company, subscribed with consideration of approximately US$3,185,000 a bond-linked notes issued by BOCOM International Balance Investment Limited (which principally engaged in securities dealing and advising, and provision of asset management services) and linked to the underlying bonds issued by Coastal Emerald Limited (which has undertaken no business activities since the date of its incorporation), a wholly-owned subsidiary of China Shandong Hi-Speed Financial Group Limited (stock code: 412.HK, an investment holding company with subsidiaries principally engaged in (i) investment in securities; (ii) money lending; (iii) financial leasing; and (iv) financial technology). The interest amount is calculated based on a fixed rate of 4.4% per annum, multiplied by an amount of fixed rate calculation amount (US$6,415,000) and a day count fraction. On 13 January 2020, the bond-linked notes matured and total amount of US$568,000 (approximately HK$4,430,000) had been recognised as interest income from the investment.

Bonds issued by Lv'an Chuangxing Limited

References are made to the announcement and further announcement dated 11 April 2019 and 12 April 2019 respectively with regards to a subscription of bonds. On 11 April 2019, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, has placed an order, through a broker, to subscribe bonds issued by Lv'an Chuangxing Limited, an offshore financing vehicle and a wholly-owned subsidiary of Greenland Holdings Corporation Limited (stock code: 600606.SH, a state-controlled enterprise group headquartered in Shanghai, with its main business in real estate, energy and finance), at the investment costs of approximately HK$86,477,600 in total (including transaction cost). The principal amount of such subscription was US$11,000,000 (approximately HK$86,477,600) in compare with the aggregate principal amount of US$200,000,000 of the same bonds. The fair value of the investment as at 31 March 2020 was US$10,937,000 (approximately HK$84,477,000, representing about 7.24% of the Company's total assets as at 31 March 2020). The interest rate of the bonds was 6.38% per annum and as a future prospect, it is expected that the bonds will continue to generate a stable income to the Company based on this interest rate until maturity on 15 April 2020. During the year an amount of US$670,000 (approximately HK$5,230,000) had been recognised as interest from the investment.

Senior Notes issued by E-house (China) Enterprise Holdings Limited

References are made to the announcement and further announcement dated 9 May 2019 and 10 May 2019 respectively with regards to a subscription of new senior notes. On 9 May 2019, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, subscribed senior notes issued by E-house (China) Enterprise Holdings Limited (stock code: 2048.HK) which offers, with its subsidiaries, a wide range of services to the real estate industry, including real estate agency services in the primary market, real estate data and consulting services, and real estate brokerage network services in the PRC, at the investment costs of approximately HK$65,891,000 in total (including transaction cost). The principal amount of such subscription was initially US$8,447,000 (approximately HK$65,891,000) in compare with the aggregate principal amount of US$300,000,000 of the same senior notes. Interest in the investment worth approximately US$5,063,000 (approximately HK$39,488,000) was disposed in during the Reporting Year with a realised gain of US$130,000 (approximately HK$1,018,000), and the fair value of the remaining interest as at 31 March 2020 was US$3,236,000 (approximately HK$24,996,000, representing 2.14% of the Company's total assets as at 31 March 2020). The coupon rate of the senior notes was 7.75% per annum and as a future prospect, it is expected that the senior notes will continue to generate a stable income to the Company based on this interest rate and the remaining interest until maturity on 28 February 2021. During the Reporting Year, an amount of US$288,600 (approximately HK$2,251,000) had been recognised as interest income from the investment.

Notes issued by New Metro Global Limited

Reference is made to the announcement dated 20 May 2019 with regards to an acquisition of notes. On 20 May 2019, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, acquired notes issued by New Metro Global Limited. New Metro Global Limited was a company with no material activities other than issuance of senior notes and out-lending to Seazen Holdings Co., Ltd. (stock code: 601155.SH, guarantor of the notes and a company which indirectly wholly owns New Metro Global Limited, and which is mainly engaged in development of residential properties and mixed-use complexes for sale and investment). The total consideration and the costs of such acquisition were about US$11,923,000 (approximately HK$93,002,000) out of the notes' aggregate principal amount of US$300,000,000 at the purchase price of 99.36% of the principal amount. The notes acquired were completely disposed at the price of US$10,806,000 (approximately HK$84,287,000) during the Reporting Year, with a realised loss of US$1,117,000 (approximately HK$8,715,000). An interest income of US$150,000 (approximately HK$1,166,000) was recognised from the investment during the year.

Notes issued by Ease Trade Global Limited

Reference is made to the announcement dated 18 March 2020 with regards to an acquisition of notes. On 18 March 2020, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, acquired notes issued by Ease Trade Global Limited in the principal amount of US$10,000,000 (equivalent to approximately HK$78,000,000) at a total consideration of approximately US$9,820,000 (equivalent to approximately HK$76,596,000). Ease Trade Global Limited has carried on no business other than entering into arrangements for the issue of the notes and lending of the net proceeds thereof. Ease Trade Global Limited was a direct, wholly-owned subsidiary of Poly Property Group Co., Limited (stock code: 0119.HK, guarantor of the notes), which in turn is a subsidiary of China Poly Group Corporation Limited (Keepwell Provider of the notes, a central state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council) . The fair value of the investment as at 31 March 2020 was US$9,824,400 (approximately HK$75,884,000, representing about 6.50% of the Company's total assets as at 31 March 2020). The interest rate of the bonds was 5.20% per annum and as a future prospect, it is expected that the bonds will continue to generate a stable income to the Company based on this interest rate until maturity on 10 April 2021. During the year, an amount of US$8,700 (approximately HK$68,000) had been recognised as interest income from the investment.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group has no material contingent liabilities (2019: nil).

CHARGE ON THE GROUP'S ASSETS

Except for the debt securities of approximately HK$185,357,000 and the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited, which have been charged as the secured assets for the banking facilities, no asset of the Group was subjected to any charge as at 31 March 2020 (2019: 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 2020, the Group had 86 employees in total (2019: 101 employees). The related employees' costs for the Reporting Year (excluding Directors' remunerations) amounted to approximately HK$78,998,000 (2019: approximately HK$92,985,000). 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 2020.

EVENTS AFTER THE REPORTING DATE

Details of the events after the reporting date are set out in note 15 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, assume overall responsibility for the governance of the Company, taking into account the interests of the Shareholders, the development of its business and the changing external environment.

The Company believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its Shareholders.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the year ended 31 March 2020, 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 27 August 2020, 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 21 August 2020. Shareholders whose names are recorded in the register of members of the Company on 21 August 2020 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. CHIU Kung Chik (chairman of the Audit Committee), Mr. CHAN Kin Sang, Mr. LI Gaofeng and Mr. LIU Xin. 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 2020.

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 2020 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 2020. 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 2020 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 July 2020.

By order of the Board of
China Fortune Financial Group Limited
ZHU Yi
Chief Executive Officer
and Executive Director

Hong Kong, 29 June 2020

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. ZHU Yi and Ms. SUN Qing; 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. CHIU Kung Chik, Mr. LI Gaofeng and Mr. LIU Xin.