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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China Fortune Financial Group Limited (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2021 (the “**Period**”) together with the comparative figures for the corresponding period in 2020. The Group’s interim financial information for the Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) together with the external auditor of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	<i>Notes</i>	Six months ended 30 September	
		2021	2020
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	4	16,193	45,067
Net investment (losses)/gains	8	(2,989)	18,628
Cost of brokerage and other services		(1,377)	(3,714)
Other income	6	458	3,320
(Allowance for)/Reversal of expected credit losses (“ ECL ”) on trade receivables, net		(557)	9,539
Staff costs	8	(24,943)	(28,228)
Other operating expenses	8	(12,208)	(27,208)
Finance costs	7	(6,858)	(13,427)
Impairment of Goodwill		(2,000)	–
Share of profits/(losses) of associates		1,841	(2,550)
Share of profits/(losses) of joint ventures		19	(9)
		<hr/>	<hr/>
(Loss)/Profit before tax	8	(32,421)	1,418
Income tax expense	9	(556)	(4,051)
		<hr/>	<hr/>
Loss for the period		(32,977)	(2,633)
		<hr/> <hr/>	<hr/> <hr/>

		Six months ended 30 September	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of			
foreign operations		169	6,196
Share of other comprehensive income of associates		1,493	3,793
Share of other comprehensive (expense)/income of			
joint ventures		(12)	42
		<u>1,650</u>	<u>10,031</u>
Total comprehensive (expense)/income for the period		<u>(31,327)</u>	<u>7,398</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to owners of the Company			
– Basic	<i>11</i>	<u>(3.6)</u>	<u>(0.3)</u>
– Diluted	<i>11</i>	<u>(3.6)</u>	<u>(0.3)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property and equipment	12	17,684	22,131
Goodwill	13	1,994	3,994
Loan receivables	16	–	31,107
Other non-current assets		6,978	6,978
Interests in associates	14	105,784	102,450
Interests in joint ventures	15	1,071	1,064
		133,511	167,724
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		13,656	101,230
Loan and trade receivables	16	133,788	121,177
Contract assets		48	519
Other receivables, deposits and prepayments	17	16,869	27,534
Tax recoverable		5,991	5,991
Bank balances and cash – trust	18	207,399	267,419
Bank balances and cash – general	18	200,343	263,850
		578,094	787,720
Current liabilities			
Trade payables, other payables and accruals	19	208,188	293,910
Financial liabilities at FVTPL		–	420
Contract liabilities		–	380
Lease liabilities		7,090	7,696
Loan payables	20	100,457	161,318
Convertible bonds	23	–	21,604
Corporate bonds	22	59,607	78,955
Tax payable		3,878	3,322
		379,220	567,605
Net current assets		198,874	220,115
Total assets less current liabilities		332,385	387,839

		At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		8,071	11,194
Corporate bonds	22	<u>31,333</u>	<u>52,337</u>
		<u>39,404</u>	<u>63,531</u>
Net assets		<u>292,981</u>	<u>324,308</u>
Capital and reserves			
Share capital	21	91,531	91,531
Reserves		<u>201,450</u>	<u>232,777</u>
Total equity		<u><u>292,981</u></u>	<u><u>324,308</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

China Fortune Financial Group Limited was incorporated in 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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and Units No. 4102-06, 41/F., 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.

This interim financial information is presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

The interim financial information of the Group for the Period have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and was approved for issue by the Board on 29 November 2021.

The interim financial information of the Group for the Period are unaudited, but have been reviewed by the Audit Committee together with the external auditor of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial information have been prepared on the historical cost basis, except for the financial instruments classified as at FVTPL and fair value through other comprehensive income (“**FVOCI**”), which are stated at fair values.

Except as described below, the accounting policies and methods of computation used in the interim financial information for the Period are the same as those used in the preparation of the Group’s most recent annual financial statements for the year ended 31 March 2021.

The Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 16

COVID-19-Related Rent Concessions beyond
30 June 2021

The application of the amendments to HKFRS in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 – “Interest Rate Benchmark Reform – Phase 2”

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Amendments to HKFRS 16 – “COVID-19-Related Rent Concessions” beyond 30 June 2021

HKFRS 16 “Leases” was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information require management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 March 2021.

4. 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 Period is as follows:

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Dividend income	229	189
Income from securities brokerage business	1,892	3,529
Income from money lending business	4,981	18,089
Income from insurance brokerage business	611	778
Income from asset management business	2,141	5,364
Margin interest income from securities brokerage business	2,416	1,485
Service income from corporate finance	3,923	15,633
	16,193	45,067
	16,193	45,067

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

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers by timing of recognition		
<i>Overtime:</i>		
Service income from corporate finance	3,923	15,633
Income from asset management business	2,141	1,739
<i>At a point in time:</i>		
Income from securities brokerage business	1,892	3,529
Income from insurance brokerage business	611	778
	8,567	21,679
Revenue from contracts with customers within the scope of HKFRS 15		
Other information:		
Dividend income	229	189
Interest income from asset management business	–	3,625
Interest income from money lending business	4,981	18,089
Margin interest income from securities brokerage business	2,416	1,485
	16,193	45,067
	16,193	45,067

5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is focus on the type of services provided. No operating segment identified by the chief operating decision maker has 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 segment engages in the provision of money lending in Hong Kong;
- (4) The consultancy and insurance brokerage segment engages in the provision of consultancy service 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 revenue are charged at prevailing market prices.

Segment revenue and results

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

For the six months ended 30 September 2021 (Unaudited)

	Securities brokerage and margin financing HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Consultancy and insurance brokerage HK\$'000	Asset management HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue	4,308	3,923	4,981	611	2,370	-	-	16,193
Inter-segment revenue	3	-	-	82	-	-	(85)	-
Net investment losses	-	-	-	-	(2,989)	-	-	(2,989)
Total	4,311	3,923	4,981	693	(619)	-	(85)	13,204
Finance costs	(13)	-	-	-	-	(6,845)	-	(6,858)
Others	(6,075)	(8,648)	(610)	(762)	(2,021)	(22,596)	85	(40,627)
Segment results	(1,777)	(4,725)	4,371	(69)	(2,640)	(29,441)	-	(34,281)
Share of profits of associates								1,841
Share of profits of joint ventures								19
Loss before tax								(32,421)
Income tax expense								(556)
Loss for the period								(32,977)

For the six months ended 30 September 2020 (Unaudited)

	Securities brokerage and margin financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consultancy and insurance brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	5,050	15,633	18,089	778	5,468	49	–	45,067
Inter-segment revenue	(905)	–	–	101	2	17,550	(16,748)	–
Net investment gains	5,130	–	–	–	13,498	–	–	18,628
Total	<u>9,275</u>	<u>15,633</u>	<u>18,089</u>	<u>879</u>	<u>18,968</u>	<u>17,599</u>	<u>(16,748)</u>	<u>63,695</u>
Finance costs	(112)	–	–	–	(24)	(13,314)	23	(13,427)
Others	626	(11,506)	(8,749)	(958)	(12,995)	(29,434)	16,725	(46,291)
Segment results	<u>9,789</u>	<u>4,127</u>	<u>9,340</u>	<u>(79)</u>	<u>5,949</u>	<u>(25,149)</u>	<u>–</u>	<u>3,977</u>
Share of losses of associates								(2,550)
Share of losses of joint ventures								(9)
Profit before tax								1,418
Income tax expense								(4,051)
Loss for the period								<u>(2,633)</u>

Segment result represents the profit/(loss) before tax earned by each segment without allocation of central administration costs, finance cost and staff cost.

Segment assets and liabilities

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Segment assets		
Securities brokerage and margin financing	333,822	389,324
Corporate finance	28,312	45,061
Money lending	89,076	102,685
Consultancy and insurance brokerage	1,812	1,837
Asset management	31,993	122,098
	<hr/>	<hr/>
Total segment assets	485,015	661,005
Unallocated	226,590	294,439
	<hr/>	<hr/>
Consolidated assets	711,605	955,444
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Securities brokerage and margin financing	203,128	272,437
Corporate finance	576	15,107
Money lending	3,116	2,640
Consultancy and insurance brokerage	510	466
Asset management	5,660	5,412
	<hr/>	<hr/>
Total segment liabilities	212,990	296,062
Unallocated	205,634	335,074
	<hr/>	<hr/>
Consolidated liabilities	418,624	631,136
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Interest income from financial institutions	111	439
Exchange gain, net	216	–
Sundry income	131	2,881
	<hr/>	<hr/>
	458	3,320
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCE COSTS

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Finance charges on lease liabilities	218	140
Interests on bank and loan payables	1,403	3,674
Interests on corporate bonds	4,581	6,804
Interests on convertible bonds (<i>note 23</i>)	656	2,809
	<u>6,858</u>	<u>13,427</u>

8. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax after (crediting)/charging:

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Net investment losses/(gains):		
Net realised losses/(gains) on financial assets at FVTPL	2,120	(15,574)
Net unrealised losses/(gains) on financial assets at FVTPL	869	(3,054)
	<u>2,989</u>	<u>(18,628)</u>
Other operating expenses:		
Auditor's remunerations	250	250
Bank charges	63	114
Computer expenses	599	569
Depreciation on:		
– right-of-use assets	4,443	9,375
– property and equipment	941	3,717
Entertainment	455	450
Exchange losses, net	–	3,383
Information and communication fee	919	1,387
Lease charges on short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	110	21
Legal and professional fee	868	3,578
Rates and building management fee	570	1,084
Telecommunication fee	212	442
Travelling expenses	322	276
Other expenses	2,456	2,562
	<u>12,208</u>	<u>27,208</u>

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs:		
– Directors' remunerations	5,204	5,395
– Salaries and allowance	19,089	22,184
– Retirement benefit scheme contributions (excluding Directors)	650	649
	<u>24,943</u>	<u>28,228</u>

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 September 2021 (six months ended 30 September 2020: 16.5%).

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for Hong Kong Profits Tax		
– Current period	556	4,051

Under the Law of the People's Republic of China (the "PRC") or ("China") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during the six months ended 30 September 2021 and 2020.

10. DIVIDEND

No dividend was paid or proposed during the Period, nor has any dividend been proposed since the end of the Period (six months ended 30 September 2020: nil).

11. LOSS PER SHARE

Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$32,977,000 (six months ended 30 September 2020: approximately HK\$2,633,000) by the weighted average number of 915,308,000 ordinary shares (six months ended 30 September 2020: 915,308,000 shares) in issue during the Period.

The weighted average number of ordinary shares in issue has taken into account of the effect of share consolidation pursuant to the shareholders resolution passed on 16 October 2020 on the basis that every ten issued existing shares be consolidated into one consolidated share as if the consolidation had occurred at 1 April 2020, the beginning of the earliest period reported. Details of share consolidation are set out in note 21.

The calculation of diluted loss per share for the six months ended 30 September 2021 and 2020 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.

12. PROPERTY AND EQUIPMENT

For property and equipment, the Group did not purchase any property and equipment during the Period (six months ended 30 September 2020: approximately HK\$3,000).

For right-of-use assets, the Group entered into new lease agreement for its branch office during the Period. The Group is required to make fixed monthly payments. During the Period, the Group recognised additional right-of-use assets and lease liabilities of approximately HK\$937,000 (six months ended 30 September 2020: approximately HK\$668,000) respectively.

13. GOODWILL

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Gross carrying amount		
As at 30 September and 31 March	<u>3,994</u>	<u>3,994</u>
Accumulated impairment losses		
As at 1 April	–	–
Impairment losses recognised in the period	<u>2,000</u>	–
As at 30 September and 31 March	<u><u>2,000</u></u>	<u><u>–</u></u>
Net carrying amount		
As at 1 April	<u><u>3,994</u></u>	<u><u>3,994</u></u>
As at 30 September and 31 March	<u><u>1,994</u></u>	<u><u>3,994</u></u>

Impairment testing of cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the cash-generating units identified as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Corporate finance segment	<u>1,994</u>	<u>3,994</u>

The recoverable amount of the corporate finance operation is determined based on value in use calculations using cash flow projections based on financial budget approved by the management covering five-year period, zero growth rate is applied to extrapolate the cash flows beyond five-year period during the six months ended 30 September 2021 and 31 March 2021. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate applied to the cash flow projections is 14.70% (as at 31 March 2021: 14.70%). Other key assumptions for the value-in-use calculation related to the estimation of cash inflows and outflows which include budgeted sales and budgeted net profit margin. This estimation is determined based on the unit's past performance and management's expectation for the market development.

During the six months period ended 30 September 2021, impairment loss of HK\$2,000,000 recognized on goodwill as the management considered various factors, such as a challenging business environment and prudent behaviours of the investors as a result of Hong Kong capital market downturn that impact on the activity of IPO equity market.

Management believes that any reasonably possible change in any of these assumptions would not result any impairment to the goodwill.

14. INTERESTS IN ASSOCIATES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Cost of investments in unlisted associates	64,131	64,131
Share of post-acquisition profits and other comprehensive income	<u>41,653</u>	<u>38,319</u>
	<u>105,784</u>	<u>102,450</u>

Set out below are the particulars of the principal associates as at 30 September 2021 and 31 March 2021. In the opinion of the Directors of the Company, to give details of other associates would result in particulars of excessive length:

Name of entity	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of nominal value of issued capital held by the Group		Proportion of voting right held by the Group at board level		Principal activities
				30 September 2021	31 March 2021	30 September 2021	31 March 2021	
Starlight Financial Holdings Limited ("Starlight")	Limited liability company	Hong Kong	234,000,000 ordinary shares	25%	25%	33% (note 1)	33% (note 1)	Investment holding
City Eagle Holdings Limited	Limited liability company	Hong Kong	100 ordinary shares	25%	25%	33%	33%	Investment holding
Chongqing Liangjiang New Area Runtong Small Loans Business Limited* ("Runtong")	Limited liability company	the PRC	Registered capital of US\$30,000,000	25%	25%	33%	33%	Provision of secured financing services and microfinance services in Chongqing of the PRC
Chongqing Run Kun Management Consulting Company Limited* ("Run Kun")	Limited liability company	the PRC	Registered capital of HK\$10,000,000	25%	25%	33%	33%	Financial consulting services
China Runking Financing Group Limited	Limited liability company	Hong Kong	1 ordinary share	25%	25%	33%	33%	Provision of loan financing services

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

China Runking Financing Group Limited, City Eagle Holdings Limited, Run Kun and Runtong are wholly-owned subsidiaries of Starlight.

Note:

1. The Group is able to exercise significant influence over Starlight and its subsidiaries because it has the power to appoint two out of the six directors of that company under the provisions stated in the shareholders' agreement.

As at 30 September 2021, included in the cost of investments in associates was goodwill of approximately HK\$4,052,000 (as at 31 March 2021: approximately HK\$4,052,000) arising on the acquisition of associates.

15. INTERESTS IN JOINT VENTURES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Cost of investments in unlisted joint ventures	1,415	1,415
Share of post-acquisition losses and other comprehensive expense	(344)	(351)
	<u>1,071</u>	<u>1,064</u>

Details of the joint ventures as at 30 September 2021 and 31 March 2021 are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of nominal value of issued capital held by the Group		Proportion of voting right held by the Group at board level		Principal activities
				30 September 2021	31 March 2021	30 September 2021	31 March 2021	
Shenzhen Qianhai Fortune Financial Service Company Limited* ("Qianhai Fortune Financial")	Limited liability company	The PRC	Registered capital of RMB754,000	30%	30%	40%	40%	Inactive
Shenzhen Qianhai Fortune Equity Investment Management Company Limited* ("Qianhai Fortune Equity")	Limited liability company	The PRC	Registered capital of RMB2,989,000	30%	30%	40%	40%	Inactive

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

The Group holds 30% of equity interests of Qianhai Fortune Financial and controls 40% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Qianhai Fortune Financial should be unanimously approved by the Group and other venturers. Therefore, Qianhai Fortune Financial is regarded as a joint venture of the Group.

The Group holds 30% of equity interests of Qianhai Fortune Equity and controls 40% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Qianhai Fortune Equity should be unanimously approved by the Group and other venturers. Therefore, Qianhai Fortune Equity is regarded as joint ventures of the Group.

16. 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.

	<i>Notes</i>	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables	<i>a)</i>	54,564	58,994
Loan receivables – current	<i>b)</i>	79,224	62,183
		<u>133,788</u>	<u>121,177</u>
Loan receivables – non-current	<i>b)</i>	–	31,107
		<u>133,788</u>	<u>152,284</u>

a) Trade receivables

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables from securities brokerage business:		
– Cash clients	23	6
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	966	2,713
– Margin clients	52,035	48,716
Trade receivables from other businesses	2,151	7,613
	<u>55,175</u>	<u>59,048</u>
Less: ECL	(611)	(54)
	<u>54,564</u>	<u>58,994</u>

The settlement terms of trade receivables from cash client and HKSCC arising from securities brokerage business are two trading days after the trade date. The Group allows an average credit period of 30 days to its customers 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 the 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 (excluded margin clients), net of ECL, at the end of the Period/year based on the invoice date is as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Less than 30 days	1,311	9,518
31 to 60 days	53	17
61 to 90 days	150	–
Over 90 days	1,056	797
	<u>2,570</u>	<u>10,332</u>

As at 30 September 2021, trade receivables from cash and margin clients are secured by the client's pledged securities at quoted market value of HK\$197,171,000 (as at 31 March 2021: HK\$204,555,000) which could be realised at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. There are no repledge of the collateral from margin clients for the six months ended 30 September 2021 and 2020 and as at 30 September 2021 and 31 March 2021.

b) Loan receivables

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current portion		
Secured loan receivables	–	11,107
Unsecured loan receivables	–	20,000
	<u>–</u>	<u>31,107</u>
Current portion		
Secured loan receivables	14,139	5,185
Unsecured loan receivables	67,506	59,419
	<u>81,645</u>	<u>64,604</u>
Less: ECL	(2,421)	(2,421)
	<u>79,224</u>	<u>93,290</u>

As at 30 September 2021, the secured loan receivables are secured by all monies, deposits and equity shares of listed companies with fair value of approximately HK\$3,872,000 (as at 31 March 2021: HK\$5,736,000) in the securities broker account and second mortgage over certain property units and bear interest at a fixed interest rate at 12% to 13% (as at 31 March 2021: 13% to 15%) per annum.

As at 30 September 2021, the unsecured loan receivables carry interest at fixed interest rate at 12% to 15% (as at 31 March 2021: 12% to 15%) per annum and guaranteed by an independent third party.

The following table illustrates the aging analysis, net of ECL, based on the loan drawdown date, of the loan receivables outstanding at the end of the Period/year:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Less than 30 days	312	387
31 to 60 days	56	107
61 to 90 days	56	–
Over 90 days	78,800	92,796
	<u>79,224</u>	<u>93,290</u>

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

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Other receivables	13,153	19,709
Interest receivables	–	1,902
Deposits	2,868	4,733
Prepayments	848	1,190
	<u>16,869</u>	<u>27,534</u>

As at 30 September 2021, other receivables mainly represent monies placed in various brokers accounts.

18. BANK BALANCES AND CASH

Bank balances and cash – trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities brokerage and margin and financing business. The Group has classified the clients' monies as bank balances and cash – trust under the current assets of the condensed consolidated statement of financial position and recognised the corresponding trade payables to respective clients on the ground that it is liable for any loss or misappropriation of clients' monies. The Group is restricted to use the clients' monies to settle its own obligations.

Bank balances and cash – general

As at 30 September 2021, bank balances and cash held by the Group which amounted to approximately HK\$200,343,000 (as at 31 March 2021: HK\$263,850,000) were with an original maturity of three months or less. The bank balances and bank deposits carried interest at market rates ranging from 0% to 0.3% (as at 31 March 2021: 0% to 2.3%) per annum.

As at 30 September 2021, the Group had bank balances of approximately HK\$73,668,000 (as at 31 March 2021: HK\$64,839,000) and HK\$4,428,000 (as at 31 March 2021: HK\$4,457,000) which were originally denominated in United States dollar (“USD”), and Renminbi (“RMB”) respectively.

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables from the securities brokerage business:		
– Margin and cash clients	198,889	260,940
Other payables and accruals	9,299	32,970
	<u>208,188</u>	<u>293,910</u>

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 consider that the aging analysis does not give additional value in the view of the nature of these payables.

20. LOAN PAYABLES

As at 30 September 2021, the unsecured bank loan amounted to approximately HK\$100,457,000 (as at 31 March 2021: HK\$161,318,000) borne variable interest rate and guaranteed by the corporate guarantee given by a wholly-owned subsidiary of the Company, Fortune Finance Limited. The rate as at 30 September 2021 was 2.65% (as at 31 March 2021: 2.74%) per annum.

As at 30 September 2021, the secured bank loans amounted to approximately HK\$Nil (as at 31 March 2021: HK\$60,860,000) are secured by the debt securities (included in financial assets at FVTPL) of approximately HK\$Nil (as at 31 March 2021: HK\$77,670,000) and the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited, borne variable interest rate and guaranteed by the corporate guarantee given by a wholly-owned subsidiary of the Company, Fortune Finance Limited. The rate as at 30 September 2021 was Nil per annum (as at 31 March 2021: 2.19% per annum).

21. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each at 1 April 2020		20,000,000	200,000
Share consolidation	<i>(a)</i>	<u>(18,000,000)</u>	<u>–</u>
Ordinary shares of HK\$0.10 each at 31 March 2021 and 30 September 2021		<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each at 1 April 2020		9,153,079	91,531
Share consolidation	<i>(a)</i>	<u>(8,237,771)</u>	<u>–</u>
Ordinary shares of HK\$0.10 each at 31 March 2021 and 30 September 2021		<u>915,308</u>	<u>91,531</u>

(a) Share consolidation

On 8 September 2020, the Board proposed to implement the share consolidation on the basis that every ten issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK\$0.10 each. On 16 October 2020, the ordinary resolution was duly passed by the shareholders of the Company (“**Shareholder**”) and the share consolidation became effective on 20 October 2020.

22. CORPORATE BONDS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Current	59,607	78,955
Non-current	31,333	52,337
	<u>90,940</u>	<u>131,292</u>

Particulars of outstanding corporate bonds at reporting date summarised by original issue years are set out below:

Issue in the year ended	Original terms	Annual coupon rate	Effective interest rate	Principal <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 30 September 2021					
31 March 2014	8.5 – 8.67 years	7%	9.20% – 9.24%	20,000	20,895
31 March 2015	7 years	6.5%	9.12%	27,500	28,651
31 March 2016	7 years	6.5%	9.12%	12,000	12,061
31 March 2017	7 – 7.5 years	6.5%	9.10% – 9.12%	30,100	29,333
					<u>90,940</u>
At 31 March 2021					
31 March 2014	7.5 – 8.67 years	7%	9.20% – 9.50%	20,000	20,505
31 March 2015	7 years	6% – 6.5%	8.59% – 9.12%	57,500	58,603
31 March 2016	7 years	6.5%	9.12%	12,000	12,182
31 March 2017	7 – 7.5 years	6.5%	9.10% – 9.12%	30,100	29,836
31 March 2021	1 year	6%	6%	10,000	10,166
					<u>131,292</u>

These corporate bonds are repayable in the following schedule:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Within one year	59,607	78,955
More than one year but not exceeding two years	5,039	22,501
More than two years but not exceeding five years	26,294	29,836
	<u>90,940</u>	<u>131,292</u>

23. CONVERTIBLE BONDS

The Group employs convertible bonds as one of its sources of financing.

At reporting date, carrying amounts of the convertible bonds and convertible bonds reserves are as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Convertible bonds		
– Current	–	21,604
Convertible bonds reserves	–	5,161

Particulars of new issued convertible bonds in the prior years are set out as below:

Issue in the year ended	Issue date	Maturity date	Coupon rate	Effective interest rate	Principal <i>HK\$'000</i>	Conversion price per share <i>HK\$</i>	Issuer earlier redemption right
Year ended 31 March 2019 2019 A	5 July 2018	5 July 2021	2%	11.74%	60,000	0.60	No
Year ended 31 March 2018 2018 A	28 June 2017	28 June 2020	2%	11.17%	60,000	0.60	No

Movements of carrying amounts of the liability components and equity components are summarised below.

	Convertible Bond Series		
	2018 A <i>HK\$'000</i>	2019 A <i>HK\$'000</i>	Total <i>HK\$'000</i>
Liability components			
At 1 April 2020 (audited)	61,937	19,300	81,237
Interests at effective interest rates	1,663	2,304	3,967
Redemption upon maturity	(63,600)	–	(63,600)
At 31 March 2021 (audited)	–	21,604	21,604
Interests at effective interest rates	–	656	656
Redemption upon maturity	–	(22,260)	(22,260)
At 30 September 2021 (unaudited)	–	–	–

	Convertible Bond Series		Total
	2018 A	2019 A	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Equity components			
At 1 April 2020 (audited)	13,998	5,161	19,159
Lapse of conversion option upon maturity	(13,998)	–	(13,998)
	<hr/>	<hr/>	<hr/>
At 31 March 2021 (audited)	–	5,161	5,161
Lapse of conversion option upon maturity	–	(5,161)	(5,161)
	<hr/>	<hr/>	<hr/>
At 30 September 2021 (unaudited)	–	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

All executive Directors were considered to be the key management personnel of the Group for the six months ended 30 September 2021 and 2020. The remuneration of executive Directors during the Period was as follows:

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	3,969	4,138
Post-employment benefits	27	27
	<hr/>	<hr/>
	3,996	4,165
	<hr/> <hr/>	<hr/> <hr/>

25. COMMITMENTS

(i) Lease commitments

The Group as lessee

At the end of the Period/year, the Group had commitments for short-term leases which fall due as follows:

	At	At
	30 September	31 March
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	469	173
	<hr/> <hr/>	<hr/> <hr/>

(ii) **Capital commitment**

The Group had the following capital commitment at the end of the Period/year:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
Investment in joint ventures	<u>5,723</u>	<u>5,610</u>

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial instruments and non-financial assets measured at fair value in the condensed consolidated statement of financial position are categorised into the three level fair value hierarchies as defined in HKFRS 13 “Fair Value Measurement”.

The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)		
Financial assets at FVTPL				
– Equity securities listed in Hong Kong and outside Hong Kong	<u>13,656</u>	<u>22,335</u>	Level 1	Quoted bid prices in active market
– Bonds listed in Hong Kong and outside Hong Kong	<u>–</u>	<u>77,670</u>	Level 1	Quoted bid prices in active market
– Derivative financial instruments	<u>–</u>	<u>1,225</u>	Level 1	Quoted bid prices in active market
Financial assets at FVOCI				
– Unlisted equity securities (i)	<u>138</u>	<u>138</u>	Level 3	Net asset value
Financial liabilities at FVTPL				
– Derivative financial instruments	<u>–</u>	<u>420</u>	Level 1	Quoted bid prices in active market

There were no transfers between levels of fair value hierarchy during the Period/year.

- (i) The fair value of the unlisted equity investment is by reference to the net asset value of the respective companies.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Unlisted equity securities <i>HK\$'000</i>
At 1 April 2020 (Audited), 31 March 2021 (Audited) and 30 September 2021 (Unaudited)	<u>138</u>

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim financial information approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Period, revenue and net investment losses of the Group amounted to approximately HK\$13,204,000, representing a decrease of approximately 79% from approximately HK\$63,695,000 for the six months ended 30 September 2020.

The Group recorded a loss attributable to owners of the Company of approximately HK\$32,977,000 for the Period, as compared with the loss of approximately HK\$2,633,000 for the corresponding period in 2020. Despite the share of profits of associates for the Period as compared to share of losses for the corresponding period in 2020, the increase in losses for the Period was principally attributable to (i) a decrease in revenue for the Company as compared with those for the corresponding period in 2020 and (ii) a net investment loss from investment in financial assets of approximately HK\$2,989,000 for the Period as compared with a net investment gain from investment in financial assets of approximately HK\$18,628,000 for the corresponding period in 2020.

The basic and diluted loss per share for the Period was approximately HK3.6 cents as compared with the basic and diluted loss per share of approximately HK0.3 cents for the corresponding period in 2020.

Business Review

Securities brokerage and margin financing

During the Period, the business of securities brokerage and margin financing recorded a revenue of approximately HK\$4,311,000, representing a decrease of approximately 53.52% as compared to the revenue and net investment gains of approximately HK\$9,275,000 for the corresponding period in 2020. The decrease in revenue was mainly contributed from the decrease of Group's underwriting business.

The segment loss for the Period amounted to approximately HK\$1,777,000 (six months ended 30 September 2020: segment profit approximately HK\$9,789,000), representing a decrease in profit of approximately 118.15% as compared with the corresponding period in 2020. The decrease in segment profit was mainly contributed from the decrease in revenue generated from securities brokerage and margin finance business.

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 net worth individual clients.

Corporate finance

The corporate finance market was under a keen competition during the Period. Segment revenue from corporate finance business decreased by approximately 74.91% from approximately HK\$15,633,000 to approximately HK\$3,923,000 while the segment loss for the Period amounted to approximately HK\$4,725,000 as compared to a segment profit amounted to approximately HK\$4,127,000 for the corresponding period in 2020. The decrease in segment profit was mainly contributed from the decrease in revenue generated from corporate finance business.

Money lending

During the Period, the money lending market was under intensive competition. The Group recorded an interest income from money lending of approximately HK\$4,981,000 (six months ended 30 September 2020: approximately HK\$18,089,000), representing a decrease of approximately 72.46% as compared with the corresponding period in 2020. The segment profit for the Period amounted to approximately HK\$4,371,000 (six months ended 30 September 2020: approximately HK\$9,340,000).

Consultancy and insurance brokerage

During the Period, the Group recorded a segment revenue from consultancy and insurance brokerage services of approximately HK\$693,000 (six months ended 30 September 2020: approximately HK\$879,000), representing a decrease of approximately 21.16% as compared with the corresponding period in 2020.

Asset management

During the Period, the Group recorded a segment revenue and net investment losses from asset management of approximately HK\$619,000 (six months ended 30 September 2020: segment revenue and net investment gains approximately HK\$18,968,000). The decrease in segment profit was mainly contributed from the decrease in revenue generated from asset management business.

Outlook

In the past half year, the global market has been repeatedly disrupted by the Covid-19 pandemic. Meanwhile, as affected by the changes in national policies in various fields, the capital market has fluctuated significantly while the investment banking industry in Hong Kong has also demonstrated a new development landscape. Looking forward into the second half of the year, with the convening of the Sixth Plenary Session of the 19th Central Committee of the Communist Party of China, China's medium and long-term development strategy and policy direction will be more clearly defined. Accordingly, Hong Kong market will have more specific future positioning and development direction. The Company will, as always, remain sensitive to the market, keep abreast of the dynamics of the macro environment and market environment, follow the top-notch and differentiated development trajectory, and strive to build an efficient, professional, small but beautiful service platform, thereby to increase returns for the Shareholders and improve living standards for employees.

Capital Structure

As at 30 September 2021, the nominal value of the total issued share capital of the Company was approximately HK\$91,531,000 comprising 915,307,885 shares of the Company of HK\$0.10 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 of 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 convertible bonds, corporate bonds, lease liabilities, 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 Period and the year ended 31 March 2021.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission (“**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 the minimum liquid capital requirements 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 licensed insurance intermediary under the Insurance Ordinance 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’s members imposed by the respective regulators during the Period and the year ended 31 March 2021.

Liquidity and Financial Resources and Gearing Ratio

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

As at 30 September 2021, the Group's current assets and current liabilities were approximately HK\$578,094,000 (as at 31 March 2021: approximately HK\$787,720,000) and approximately HK\$379,220,000 (as at 31 March 2021: approximately HK\$567,605,000) respectively, while the current ratio was about 1.52 times (as at 31 March 2021: about 1.39 times).

As at 30 September 2021, the Group's aggregate cash and cash equivalents amounted to approximately HK\$200,343,000 (as at 31 March 2021: approximately HK\$263,850,000), of which approximately 61.02% was denominated in Hong Kong dollars (as at 31 March 2021: approximately 73.29%), approximately 36.77% was denominated in USD (as at 31 March 2021: approximately 24.57%), and approximately 2.21% was denominated in RMB (as at 31 March 2021: approximately 2.14%), representing approximately 34.66% (as at 31 March 2021: approximately 33.50%) of total current assets. As at 30 September 2021, the Group had bank loans with accrued interest in approximately HK\$100,457,000 (as at 31 March 2021: approximately HK\$161,318,000).

During the Period, no financial instruments were used for hedging purposes. As at 30 September 2021, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 70.50% (as at 31 March 2021: approximately 102.71%). The decrease was mainly due to repayment of bank loan and convertible bonds. As at 30 September 2021, the debt ratio, defined as total debts over total assets, was approximately 58.83% (as at 31 March 2021: approximately 66.06%).

No corporate bond was issued during the Period and the year ended 31 March 2021.

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 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 ("**PAL**"), and subsequently a supplemental agreement on 22 November 2016 (the "**PAL Subscription Agreement**"), pursuant to which, PAL agreed to subscribe to 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., Ltd. (“**Riverhead Capital**”), pursuant to which, Riverhead Capital agreed to subscribe to 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 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 would 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 was 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 of the Company were 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 of the Company were 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 was 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 were HK\$60,000,000, in which approximately HK\$36,000,000 was used for further strengthening the proprietary trading business, approximately HK\$12,000,000 was used for engagement in private equity investments such as pre-IPO investment, and approximately HK\$12,000,000 was 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, the number of 650,000,000 shares of the Company were 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 precedent 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 disclosed in the voluntary announcement of the Company dated 10 July 2020, the Company fully settled and repaid the balance of the outstanding principal and interest in relation to the Convertible Bonds to PAL.

The tranche 2 of the Convertible Bonds to Riverhead Capital was due on 28 June 2020. As disclosed in the announcement of the Company dated 8 July 2020 (the “**Amendment Deed Announcement**”), the Company and Riverhead Capital entered into an amendment deed (the “**Amendment Deed**”) on 8 July 2020 (after trading hours), pursuant to which, Riverhead Capital conditionally agreed to extend the maturity date of the tranche 2 of the Convertible Bonds to Riverhead Capital from the date falling on the third anniversary of the issue date of the tranche 2 of the Convertible Bonds to Riverhead Capital (i.e. 28 June 2020) to the fifth anniversary of the issue date of the tranche 2 of the Convertible Bonds to Riverhead Capital (i.e. 28 June 2022) (the “**CB Extension**”). Subject to fulfilment of the conditions precedent as disclosed in Amendment Deed Announcement, the Company shall execute a supplemental deed poll to effect the CB Extension. A circular containing, among others, further details of CB Extension and a notice of the extraordinary general meeting (the “**EGM**”) was despatched to the Shareholders on 29 July 2020.

At the EGM held on 27 August 2020, the ordinary resolution approving the CB Extension contemplated under the Amendment Deed and the proposed grant of the specific mandate as set out in the EGM notice dated 29 July 2020 was not passed by the independent Shareholders by way of poll at the EGM. Pursuant to the terms and conditions of the Convertible Bonds to Riverhead Capital, the outstanding principal amount of HK\$60,000,000 together with all accrued and unpaid interests of the tranche 2 of the Convertible Bonds to Riverhead Capital was repaid on 4 September 2020.

The tranche 3 of the Convertible Bonds to Riverhead Capital matured on 5 July 2021. Pursuant to the terms and conditions of the Convertible Bonds to Riverhead Capital, the outstanding principal amount of HK\$21,000,000 together with all accrued and unpaid interests was repaid on 5 July 2021.

For details of the Cinda Subscription Agreement, PAL Subscription Agreement and Riverhead Capital Subscription Agreement and the relevant transactions, please refer to the circular of the Company dated 13 December 2016 and 29 July 2020, 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, 14 April 2020, 8 July 2020, 10 July 2020 and 27 August 2020.

With reference made to the mentioned circulars 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 EGM 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 six months ended 30 September 2021	Unutilized proceeds as at 30 September 2021	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 six months ended 30 September 2021	Unutilized proceeds as at 30 September 2021	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 six months ended 30 September 2021	Unutilized proceeds as at 30 September 2021	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

Adjustment to the Convertible Bonds

As at 16 October 2020, which is the date for convening the EGM for the Shareholders' approval for the share consolidation of the Company, with details set out in note 21 to the interim financial information (the "**Share Consolidation**"), the outstanding convertible bonds of the Company were the tranche 3 of the Convertible Bonds to Riverhead Capital (the "**Outstanding Convertible Bonds**"), with an aggregate principal amount of HK\$21,000,000, which were convertible into 350,000,000 shares of par value of HK\$0.01 each in the share capital of the Company (the "**Existing Shares**") at the conversion price of HK\$0.06 per Existing Share. As a result of the Share Consolidation and in accordance with the terms and conditions of the convertible bonds of the Company, effective from the close of business on Monday, 19 October 2020, the following adjustment (the "**CB Adjustment**") were made to the conversion price of the Outstanding Convertible Bonds and the number of consolidated shares falling to be issued upon the exercise of the conversion rights attaching to the Outstanding Convertible Bonds:

Immediately before the CB Adjustment becoming effective		Immediately after the CB Adjustment becoming effective	
Number of Existing Shares to be issued upon full conversion of the Outstanding Convertible Bonds	Conversion price per Existing Share	Number of consolidated shares to be issued upon full conversion of the Outstanding Convertible Bonds	Conversion price per consolidated share
350,000,000	HK\$0.06	35,000,000	HK\$0.60

Grant Thornton Hong Kong Limited, Certified Public Accountants, reviewed the above adjustments and confirmed that the calculation of the CB Adjustment was made in accordance with terms and conditions of the convertible bonds of the Company.

Save for the CB Adjustment, all the other terms and conditions of the convertible bonds of the Company remain unchanged.

Significant Investment

As at 30 September 2021, the Group held financial assets at fair value through profit or loss of approximately HK\$13,656,000 (as at 31 March 2021: approximately HK\$101,230,000), with net investment losses on financial assets at FVTPL (including stocks and ETFs traded at major stock exchanges such as the Stock Exchange, the NASDAQ, the Shanghai Stock Exchange and the Shenzhen Stock Exchange) at approximately HK\$2,989,000 (six months ended 30 September 2020: net investment gain approximately HK\$18,628,000).

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.

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 is 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 2021 was US\$10,027,000 (approximately HK\$77,670,000, representing about 8.13% of the Group's total assets as at 31 March 2021). The interest rate of the bonds is 5.20% per annum. The bonds matured on 10 April 2021. During the Period, an amount of US\$14,000 (approximately HK\$112,000) was recognised as interest income from the investment.

Material Acquisition and Disposal

There was no material acquisition or disposal of the Group during the Period.

Contingent Liabilities

As at 30 September 2021, the Group had no material contingent liabilities (as at 31 March 2021: nil).

Charge on the Group's Asset

As at 30 September 2021, the debt securities of approximately HK\$Nil and the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited, have been charged as the secured assets for the banking facilities (as at 31 March 2021: the debt securities of approximately HK\$77,670,000 and the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited).

Risk Management

The Group has properly put in place credit management policies which cover the examination of the approval of client's trading and credit limits, regular review of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

Foreign Currency Fluctuation

During the Period, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

Human Resources

As at 30 September 2021, the Group had 72 employees in total (as at 31 March 2021: 81 employees). The related employees' costs for the Period (excluding Directors' remunerations) amounted to approximately HK\$19,739,000 (six months ended 30 September 2020: approximately HK\$22,833,000). 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.

Events after the Reporting Period

There are no significant events occurred after the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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 Period, 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 set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. 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 Period.

Purchase, Sale or Redemption of Listed Securities

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

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period.

Review of Interim Financial Information

The interim financial information of the Group for the Period has been reviewed by BDO Limited, the Company's external auditor.

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, together with the management, the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim financial information of the Group for the Period.

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

Hong Kong, 29 November 2021

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.