

Interim Report 2013
CREATING VALUE



中國富強金融集團
CHINA FORTUNE
FINANCIAL GROUP

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 290)

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Corporate Information

Board of Directors

Executive Directors

Mr. ZHANG Min (*Chairman*)
Mr. NG Cheuk Fan Keith (*Managing Director*)
Mr. HON Chun Yu
Mr. XIA Yingyan

Non-Executive Director

Mr. WONG Kam Fat Tony (*Vice-Chairman*)
Mr. WU Ling

Independent Non-Executive Directors

Mr. LAM Ka Wai Graham
Mr. NG Kay Kwok
Mr. TAM B Ray Billy

Company Secretary

Mr. CAI Chun Fai

Authorised Representatives

Mr. NG Cheuk Fan Keith
Mr. CAI Chun Fai

Audit Committee

Mr. NG Kay Kwok (*Chairman*)
Mr. LAM Ka Wai Graham
Mr. TAM B Ray Billy

Remuneration Committee

Mr. LAM Ka Wai Graham (*Chairman*)
Mr. ZHANG Min
Mr. NG Kay Kwok
Mr. TAM B Ray Billy

Nomination Committee

Mr. TAM B Ray Billy (*Chairman*)
Mr. LAM Ka Wai Graham
Mr. NG Cheuk Fan Keith
Mr. NG Kay Kwok

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Registered Office

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Principal Bankers

China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Legal Advisers

as to Hong Kong Law
Li & Partners

as to Cayman Islands Law
Maples and Calder

Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
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Stock Code

0290

Website

www.290.com.hk

The board (the "Board") of directors (the "Directors") of China Fortune Financial Group Limited (the "Company") announces the condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2013 (the "Period") together with the comparative figures for the corresponding period in 2012. The Group's interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2013

	Notes	Six months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Continuing operations			
Turnover	3	18,682	25,107
Cost of securities brokerage and margin financing		(1,510)	(1,449)
Other revenue	5	1,540	1,319
Depreciation		(2,977)	(2,866)
Salaries and allowances		(23,146)	(20,986)
Change in fair value of financial assets designated as fair value through profit or loss		(1,129)	3,716
Change in fair value of derivative component of convertible loan notes		(2,104)	4,732
Reversal of impairment loss on trade receivables		16,137	3,295
Impairment losses recognised in respect of trade receivables		(8,160)	(24,936)
Other operating and administrative expenses		(18,108)	(19,560)
Share of profits of associates		1,068	759
Share of profits (losses) of jointly-controlled entities		1,994	(122)
Finance costs	6	(6,670)	(5,741)
Loss before tax	7	(24,383)	(36,732)
Income tax expense	8	(76)	–
Loss for the Period from continuing operations		(24,459)	(36,732)
Discontinued operations			
Profit for the period from discontinued operations	9	–	2,587
Loss for the Period		(24,459)	(34,145)
Loss for the Period attributable to:			
Owners of the Company		(24,278)	(33,979)
Non-controlling interests		(181)	(166)
		(24,459)	(34,145)
Loss per share	11	HK cents	HK cents
From continuing and discontinued operations			
Basic and diluted		(0.71)	(1.07)
From continuing operations			
Basic and diluted		(0.71)	(1.07)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the Period	(24,459)	(34,145)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive income of associates	1,071	25
Share of other comprehensive income of jointly-controlled entities	13	14
Reclassification adjustments for the cumulative gains included in condensed consolidated statement of profit or loss and other comprehensive income upon disposal of foreign subsidiaries	–	(391)
Exchange differences arising from capitalisation of amount due from associates	97	–
Exchange differences arising on translation of foreign operations	236	374
Other comprehensive income for the Period	1,417	22
Total comprehensive expense for the Period	(23,042)	(34,123)
Total comprehensive expense for the Period attributable to:		
Owners of the Company	(22,863)	(33,959)
Non-controlling interests	(179)	(164)
	(23,042)	(34,123)

Condensed Consolidated Statement of Financial Position

As at 30 September 2013

		At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
	Notes		
Non-current assets			
Plant and equipment	12	6,532	9,482
Intangible assets		–	–
Club membership debentures		6,610	6,610
Other non-current assets		230	230
Goodwill		3,994	3,994
Available-for-sale financial assets		–	8
Interest in associates	13	74,822	14,183
Interests in jointly-controlled entities	14	11,391	9,384
Deposits		3,345	3,345
		106,924	47,236
Current assets			
Investments held for trading		25,573	22,842
Trade receivables	15	145,460	153,096
Loan receivables	16	16,850	29,448
Amounts due from associates	13	–	58,403
Amounts due from jointly-controlled entities	14	70,000	70,000
Other receivables, deposits and prepayments		4,059	2,429
Derivative component of convertible loan notes		4,717	6,821
Amount due from a non-controlling shareholder of a subsidiary		125	125
Bank balances and cash – trust	17	52,472	60,596
Bank balances and cash – general		47,938	43,535
		367,194	447,295

Condensed Consolidated Statement of Financial Position

As at 30 September 2013

	Notes	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Current liabilities			
Trade payables, other payables and accruals	18	70,610	74,637
Bank and other borrowings	19	30,000	52,954
Tax payable		720	720
		101,330	128,311
Net current assets			
		265,864	318,984
Total assets less current liabilities			
		372,788	366,220
Capital and reserves			
Share capital	20	341,839	316,609
Reserves		(40,486)	(17,623)
Equity attributable to owners of the Company			
Non-controlling interests		(175)	4
Total equity			
		301,178	298,990
Non-current liability			
Convertible loan notes		71,610	67,230
		372,788	366,220

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Convertible loan notes equity reserve	Special reserve	Capital Reserve	Other reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2012											
At 1 April 2012 (audited)	316,609	431,725	32	13,683	13,524	1,863	-	(417,534)	359,902	720	360,622
Other comprehensive income (expense) for the period:											
- Exchange differences arising on translation of foreign operations	-	-	372	-	-	-	-	-	372	2	374
- Share of other comprehensive income of jointly-controlled entities	-	-	14	-	-	-	-	-	14	-	14
- Share of other comprehensive income of associate	-	-	25	-	-	-	-	-	25	-	25
- Reclassification adjustments for the cumulative gains included in condensed consolidated statement of profit or loss and other comprehensive income upon disposal of foreign subsidiaries during the period	-	-	(391)	-	-	-	-	-	(391)	-	(391)
Loss for the period	-	-	-	-	-	-	-	(33,979)	(33,979)	(166)	(34,145)
Total comprehensive income (expense) for the period	-	-	20	-	-	-	-	(33,979)	(33,959)	(164)	(34,123)
Capital contribution from a non- controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	249	249
Lapse of conversion option	-	-	-	(6,597)	-	-	-	6,597	-	-	-
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	-	(1,097)	-	(1,097)	(697)	(1,794)
At 30 September 2012 (unaudited)	316,609	431,725	52	7,086	13,524	1,863	(1,097)	(444,916)	324,846	108	324,954

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Attributable to owners of the Company										Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Convertible loan notes equity reserve HK\$'000	Special Reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Other reserve HK\$'000 (Note c)	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
For the six months ended 30 September 2013											
At 1 April 2013 (audited)	316,609	431,725	415	17,104	13,524	1,863	(2,315)	(479,939)	298,986	4	298,990
Other comprehensive income (expense) for the Period:											
– Exchange differences arising on translation of foreign operations	-	-	234	-	-	-	-	-	234	2	236
– Exchange differences arising from capitalisation of amount due from associates	-	-	97	-	-	-	-	-	97	-	97
– Share of other comprehensive income of jointly-controlled entities	-	-	13	-	-	-	-	-	13	-	13
– Share of other comprehensive income of associates	-	-	1,071	-	-	-	-	-	1,071	-	1,071
Loss for the Period	-	-	-	-	-	-	-	(24,278)	(24,278)	(181)	(24,459)
Total comprehensive income (expense) for the Period	-	-	1,415	-	-	-	-	(24,278)	(22,863)	(179)	(23,042)
Issue of new shares (Note 20(a))	25,230	-	-	-	-	-	-	-	25,230	-	25,230
At 30 September 2013 (unaudited)	341,839	431,725	1,830	17,104	13,524	1,863	(2,315)	(504,217)	301,353	(175)	301,178

Notes:

- (a) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition under the corporate reorganisation of the Group.
- (b) The capital reserve represents the contributions made by the controlling shareholder under the corporate reorganisation of the Group.
- (c) Other reserves comprise of reserves arising from transactions with the non-controlling interests.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Net cash from (used in) operating activities	4,165	(226)
Net cash from (used in) investing activities	16	(32,674)
Net cash used in financing activities	(14)	(5,555)
Net increase (decrease) in cash and cash equivalents	4,167	(38,455)
Cash and cash equivalents at 1 April	43,535	77,897
Effect of foreign exchange rate changes	236	374
Cash and cash equivalents at 30 September, represented by		
Bank balance and cash – general	47,938	39,816

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) and interpretations (herein after collectively referred to as “**new and revised HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Hong Kong (International Financial Reporting Interpretations Committee (“ IFRIC ”)) – Interpretation (“ Int ”) 20	Stripping Costs in the Production Phase of a Surface Mine

Except as disclosed below, the application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. Principal Accounting Policies (Continued)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (the "CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The Directors of the Company considered that there has been no material change from the total assets and liabilities disclosed in the last annual financial statements for any reportable segments and accordingly such information is not presented.

3. Turnover

Turnover represents the net amounts received and receivable for services provide in the normal course of business. An analysis of the Group's turnover for the Period is as follows:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Dividend income	148	217
Income from securities and insurance brokerage business	3,549	5,348
Interest income from money lending business	2,635	5,187
Margin interest income from securities brokerage business	6,459	9,373
Net (loss) gain on trading of listed securities	(248)	2,092
Other consultancy and subscription service income	639	830
Service income from corporate finance	5,500	2,060
	18,682	25,107

4. Segment Information (Continued)

For the six months ended 30 September 2012
Continuing operations

	Brokerage and margin financing HK\$'000	Proprietary trading HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Turnover							
External turnover	14,721	2,309	2,060	5,187	830	–	25,107
Inter-segment turnover (Note)	8	–	41	–	1,855	(1,904)	–
	14,729	2,309	2,101	5,187	2,685	(1,904)	25,107
Segment profit (loss)	(18,458)	2,207	(3,165)	2,405	(2,945)	–	(19,956)
Unallocated operating income							1,154
Unallocated operating expense							(21,274)
Change in fair value of financial assets designated as fair value through profit or loss							3,716
Change in fair value of derivative component of convertible loan notes							4,732
Share of profits of associates							759
Share of losses of jointly- controlled entities							(122)
Finance costs							(5,741)
Loss before tax							(36,732)

Note: Inter-segment sales are charged at prevailing market prices.

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) attributable to each segment without allocation of administrative expenses, directors' salaries, change in fair value of financial assets designated as fair value through profit or loss, change in fair value of derivative component of convertible loan notes, share of profits of associates, share of profits (losses) of jointly-controlled entities, finance costs, interest income from financial institutions and income tax expense. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

4. Segment Information (Continued)

Segment assets and liabilities

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

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Segment assets		
Brokerage and margin financing	202,536	200,254
Proprietary trading	41,792	22,842
Corporate finance	8,209	5,081
Money lending	16,850	29,448
Others	619	684
Total segment assets	270,006	258,309
Unallocated	204,112	236,222
Consolidated total assets	474,118	494,531
Segment liabilities		
Brokerage and margin financing	84,289	73,917
Corporate finance	881	117
Money lending	100	–
Others	108	603
Total segment liabilities	85,378	74,637
Unallocated	87,562	120,904
Consolidated total liabilities	172,940	195,541

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

- all assets are allocated to reportable segments other than plant and equipment for general operations, club membership debentures, interests in associates, interests in jointly-controlled entities, available-for-sale financial assets, amounts due from jointly-controlled entities and associates, certain other receivables, deposits and prepayments, derivative component of convertible loan notes, convertible instruments designated at financial assets at fair value through profit or loss and bank balances and cash – general.
- all liabilities are allocated to operating segments other than certain other payables and accruals, bank and other borrowings, liability component and derivative component of convertible loan notes and tax payable.

5. Other Revenue

	Six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Continuing operations		
Handling charges	630	449
Interest income on financial institutions	28	254
Gain on disposal of available-for-sales financial assets	–	159
Gain on disposal of plant and equipment	15	127
Net exchange gain	13	–
Loan arrangement fee income	–	245
Sundry income	854	85
	1,540	1,319

6. Finance Costs

	Six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Continuing operations		
Interest on bank and other borrowings – wholly repayable within five years	2,290	2,387
Imputed interest expenses on convertible loan notes	4,380	3,354
	6,670	5,741

7. Loss Before Tax

	Six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Continuing operations		
Loss before tax from continuing operations has been arrived at after charging:		
Written off of plant and equipment	–	60
Written off of trade receivables	–	491
Operating lease in respect of rented premises	7,841	7,686
Staff costs, including Directors' remuneration	22,644	20,632
Retirement benefit scheme contributions	502	354

8. Income Tax Expense

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax		
Hong Kong Profits Tax		
– Under provision for prior period	76	–

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the six months ended 30 September 2013 and 2012.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during the six months ended 30 September 2013 and 2012.

9. Discontinued Operations

On 29 July 2011, Fortune Financial (Holdings) Limited ("Fortune Financial"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement for the sale of the entire issued share capital in Excalibur Future Limited ("EFL") and its subsidiaries (collectively referred to as "EFL Group"), which was engaged in the future brokerage business and included in brokerage and margin financing segment, to New Century Excalibur Holdings Limited ("New Century"), an independent third party to the Group, for a consideration of HK\$15,880,000.

The disposal of entire interests in EFL Group was completed on 31 May 2012. The operations of future brokerage business carried out by the EFL Group up to the date of disposal were presented in the unaudited condensed consolidated financial statements of the Group as discontinued operations.

The results and cash flows of the discontinued operations included in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows are set out below.

The profit for the six months ended 30 September 2012 is analysed as follows:

	Six months ended 30 September 2012 HK\$'000 (Unaudited)
Loss on the discontinued operation for the period	(420)
Gain on disposal of subsidiaries	3,007
	2,587

9. Discontinued Operations (Continued)

	Six months ended 30 September 2012 HK\$'000 (Unaudited)
Discontinued operations	
Turnover	7,835
Cost of sales and services rendered	(1,996)
Gross profit	5,839
Other revenue	88
Loss on disposal of investments held for trading	(269)
Other operating and administrative expenses	(6,078)
Loss before tax from discontinued operations	(420)
Income tax expense	–
Loss for the period	(420)
Loss for the period from discontinued operation included the following:	
Depreciation	142
Operating lease in respect of rented premises	1,425
Staff costs	1,033
Contribution to retirement benefit scheme	30
The cash flows of the discontinued operation were as follows:	
Net cash inflow from operating activities	3,649
Net cash inflow from investing activities	70
Net cash outflow from financing activities	(3,104)
Total cash inflow	615

10. Dividends

No dividends were paid, declared or proposed during the interim period. The Directors of the Company do not recommend the payment of interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

11. Loss Per Share

For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of diluted loss per share	(24,278)	(33,979)

The weighted average number of ordinary shares for the purpose of diluted loss per share reconciled to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	At	At
	30 September	30 September
	2013	2012
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	3,418,386	3,166,086

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company for the Period is based on the following data:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the Period attributable to owners of the Company	(24,278)	(33,979)
Less: profit for the period from discontinued operations (Note 9)	–	2,587
Loss for the Period for the purpose of computation of basic and diluted loss per share from continuing operations	(24,278)	(36,566)

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

From discontinued operations

Basic and diluted earnings per share for the discontinued operations for the six months ended 30 September 2012 was HK\$0.08 cents per share, based on the profit for the period from the discontinued operations attributable to the owners of the Company of approximately HK\$2,587,000 and the denominators detailed above for basic and diluted earnings per share for the six months ended 30 September 2012.

12. Plant and Equipment

During the six months ended 30 September 2013, the Group spent approximately HK\$12,000 (six months ended 30 September 2012: HK\$3,834,000) for the acquisition of plant and equipment.

Plant and equipment with a net carrying value of approximately HK\$253,000 were disposed of by the Group for cash proceeds of approximately HK\$380,000, resulting in a net gain on disposal of approximately HK\$127,000 during the six months ended 30 September 2012.

A motor vehicle with a net carrying value of HK\$175,000 was exchanged by the Group with another motor vehicle with cost HK\$190,000, resulting in a net gain of HK\$15,000 which was recognised in profit or loss during the six months ended 30 September 2013.

13. Interests in Associates/Amounts due from Associates

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Cost of unlisted investments in associates	70,104	11,603
Share of post-acquisition profits and other comprehensive income	4,718	2,580
	74,822	14,183
Amounts due from associates	–	58,403

Details of the associates as at 30 September 2013 are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Class of shares held	Percentage of nominal value of issued capital held by the Group 2013	Principal activity
China Runking Financing Group Holdings Limited ("China Runking") (formerly known as Media Eagle Limited)	Limited liability company	Hong Kong	Ordinary shares	25%	Investment holding
City Eagle Limited	Limited liability company	Hong Kong	Ordinary shares	25%	Investment holding
Chongqing Liangjiang New Area Small Loan Business Limited*	Limited liability company	The PRC	Registered capital	25%	Provision of small loan financing services in Chongqing of the PRC
Beijing Sapiential of Golden Resources Public Relations Consultant Co., Ltd*	Limited liability company	The PRC	Registered capital	48%	Provision of business consultancy services

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

On 23 April 2013, the interest-free on-demand loan of US\$7,500,000 (equivalent to approximately HK\$58,403,000) due from China Runking to Jovial Lead Limited ("Jovial Lead") has been capitalised as share capital of China Runking and reclassified as interests in associates.

14. Interests in Jointly-Controlled Entities/Amounts due from Jointly-Controlled Entities

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Cost of unlisted investments in jointly-controlled entities	8,077	8,077
Share of post-acquisition profits and other comprehensive income	3,314	1,307
	11,391	9,384
Amounts due from jointly-controlled entities	70,000	70,000

The amounts due from jointly-controlled entities are unsecured, interest-free and repayable on demand.

Details of the jointly-controlled entities as at 30 September 2013 and 31 March 2013 are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Class of shares held	Percentage of nominal value of issued capital held by the Group		Principal activity
				30 September 2013	31 March 2013	
Measure Up International Limited ("Measure Up")	Limited liability company	British Virgin Islands (the "BVI")	Ordinary shares	35%	35%	Investment holding
Lucky Target Property Agency Limited	Limited liability company	Hong Kong	Ordinary shares	35%	35%	Investment holding
Rongtong Finance Lease (Shanghai) Company Limited	Limited liability company	The PRC	Registered capital	35%	35%	Provision of finance lease service

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

The above unlisted investments in jointly-controlled entities represented the 35% equity interest in Measure Up and its subsidiaries (the "Measure Up Group"). The Group holds 35% of the ordinary shares of Measure Up and control 35% of the voting power in the general meeting. Under a shareholders' agreement, the major financing and operational decisions of Measure Up should be unanimously approved by the Group and other venturer. Therefore, Measure Up Group is regarded as jointly-controlled entities of the Group.

Included in the cost of investment in jointly-controlled entities is goodwill of approximately HK\$7,044,000 (31 March 2013: HK\$7,044,000) arising on acquisition of jointly-controlled entities during the six months ended 30 September 2013.

15. Trade Receivables

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Trade receivables from the business of dealing in securities		
– Cash clients	1,934	8,207
– Hong Kong Securities Clearing Company Limited	14,910	2,846
– Margin clients	215,909	242,370
Trade receivables from other businesses	6,511	1,454
	239,264	254,877
Less: Impairment losses recognised	(93,804)	(101,781)
	145,460	153,096

The settlement terms of trade receivable, except for secured margin clients, arising from the business of dealing in securities are two days after the trade date.

The Group allows a credit period of 30 days (31 March 2013: 30 days) to its trade receivables from other business.

No ageing analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, the Directors of the Company consider that the ageing analysis does not give additional value in the view of the nature of business of margin financing.

The following is an ageing analysis of trade receivables (excluded margin clients), net of impairment losses, at the end of each reporting period:

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Less than 30 days	19,457	10,074
31 to 60 days	233	203
61 to 90 days	51	440
Over 90 days	2,391	1,059
	22,132	11,776

15. Trade Receivables (Continued)

Trade receivables in relation to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK\$1,208,816,000 (31 March 2013: HK\$335,177,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. There is no repledge of the collateral from margin clients in the Period/year.

Movements in the impairment loss of trade receivables in aggregate during the Period/year are as follow:

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Balance at the beginning of Period/year	101,781	72,989
Amounts written off as uncollectible	–	(101)
Reversal of impairment loss recognised	(16,137)	(10,924)
Recognised impairment loss during the Period/year	8,160	39,817
	93,804	101,781

16. Loan Receivables

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Secured loan receivables	11,460	14,471
Unsecured loan receivables	5,390	14,977
	16,850	29,448

The secured loan receivables are secured by the equity shares of a listed company and an unlisted company and an unlisted warrants and bear interest at a fixed interest rate ranging from 8% to 10% per annum (31 March 2013: ranging from 8%-23% per annum).

The unsecured loan receivables bear an interest rate at 25% per annum (31 March 2013: 25% per annum).

16. Loan Receivables (Continued)

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

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Less than 30 days	8,128	452
31-60 days	124	9,132
61-90 days	124	76
Over 90 days	8,474	19,788
	16,850	29,448

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

17. 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 financing business. The Group 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.

18. Trade Payables, Other Payables and Accruals

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Trade payables from the business of dealing in securities:		
– margin and cash clients	67,135	68,262
Other payables and accruals	3,475	6,375
	70,610	74,637

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

As at 30 September 2013, the Group had other payables and accruals of approximately HK\$694,000 (31 March 2013: HK\$667,000) which were denominated in USD.

19. Bank and Other Borrowings

During the six months ended 30 September 2013, the Group repaid total bank and other borrowings of approximately HK\$52,954,000 (31 March 2013: HK\$1,374,000) and obtained a new other borrowing amounting to HK\$30,000,000 (31 March 2013: nil). The bank and other borrowings are unsecured, bear the interest at rate at 14.4% per annum (31 March 2013: ranging from 3.6% to 10% per annum) and are repayable within one year.

20. Share Capital

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2012 (audited), 31 March 2013 (audited) and 30 September 2013 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2012 (audited) and 31 March 2013 (audited)	3,166,086,000	316,609
Issue of shares (Note a)	252,300,000	25,230
At 30 September 2013 (unaudited)	3,418,386,000	341,839

Note:

- (a) Pursuant to a conditional placing agreement dated 18 July 2013 between the Company and Fortune (HK) Securities Limited ("F(HK)SL"), a wholly-owned subsidiary of the Company, as the placing agent for which F(HK)SL agreed to place a maximum of 300,000,000 new shares at the price of HK\$0.10 per placing share. All conditions of the placing have been fulfilled and completion of the placing took place on 1 August 2013. The 252,300,000 placing shares have been successfully placed by F(HK)SL to not fewer than six places at the placing price of HK\$0.1 per placing share pursuant to the terms and conditions of the placing agreement.

All new shares issued during six months ended 30 September 2013 ranked pari passu in all respects with other shares in issue.

21. Related Party Transactions

- (a) Except as disclosed elsewhere in the condensed consolidated financial statements, the significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Brokerage commission received from directors	–	24
Interest received from directors	–	2

(b) Compensation of key management personnel

All directors were considered to be the key management personnel of the Group for the six months ended 30 September 2013 and 2012. The remuneration of directors during the Period is as follows:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	7,231	6,501
Post-employment benefits	30	28
	7,261	6,529

The remuneration of directors was determined by the remuneration committee having regard to the performance of individuals and market trends.

22. Operating Lease Commitments

The Group as lessee

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

At the end of each of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At	At
	30 September	31 March
	2013	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	10,988	15,603
In the second to fifth years, inclusive	2,134	1,623
	13,122	17,226

23. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques	Significant inputs
	30 September 2013 HK\$'000	31 March 2013 HK\$'000			
Derivative component of convertible loan notes	4,717	6,821	Level 2	Black-Scholes option pricing model	Black-Scholes option pricing model is employed in deriving the derivative component of convertible loan notes. The main inputs include expected option period, risk-free rate, spot price as of the valuation date, exercise price and expected volatility of notes.
Investments held for trading	25,573	22,842	Level 1	Quoted bid prices in an active market	N/A

There is no transfer between the difference levels of the fair value hierarchy for the Period.

24. Non-Cash Transaction

As stated in note 13 to the condensed consolidated financial statements, the interest-free loan of HK\$58,403,000 due from China Runking to Jovial Lead has been capitalised as share capital of China Runking and reclassified as interests in associates.

Management Discussion and Analysis

Results

The global economy showed signs of gradual recovery due to the ease of global financial tensions, especially in Europe and the United States. However, market competition has been increasingly intense and commission rates of the brokerage business have continued declining. The Group's principal activities inevitably suffered. The turnover of the Group's decreased by approximately 25.59% to approximately HK\$18,682,000 (2012: approximately HK\$25,107,000). The decrease in our revenue was attributable to the reduction in brokerage commission income and margin interest income from securities brokerage business and interest income from loan receivables. On the other hand, during the Period, we have tightened our margin credit policy and put efforts to recover the impairment loss on margin loan. As a result of our efforts, the reversal of impairment loss on trade receivables increased from approximately HK\$3,295,000 for the corresponding period in 2012 to approximately HK\$16,137,000 and the impairment losses recognised in respect of trade receivables decreased from approximately HK\$24,936,000 for the corresponding period in 2012 to approximately HK\$8,160,000. Due to the combined effect of decrease in turnover and increase in net gain on reversal of impairment loss on trade receivables, the Group's loss attributable to the owners of the Company was decreased by approximately 28.55% to approximately HK\$24,278,000 for the Period, as compared to loss attributable to the owners of the Company of approximately HK\$33,979,000 for the corresponding period in 2012.

Review of Operations

Brokerage and margin financing

During the Period, as a result of intense market competition and tightening credit policy, the Group's revenue from brokerage and margin financing business dragged down to approximately HK\$10,386,000, representing a decrease of approximately 29.49% as compared to the revenue of approximately HK\$14,729,000 for the corresponding period in 2012.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our wealth management business targeting at high-end customers in order to differentiate between our one-stop integrated financial services business and other securities house.

Proprietary trading

During the Period, all the securities traded are shares listed on the Stock Exchange. Stocks in Hong Kong showed volatility during the Period. This segment recorded net losses on trading of securities of approximately HK\$248,000 and dividend income of approximately HK\$148,000, as compared to net gains on trading of listed securities of approximately HK\$2,092,000 and dividend income of approximately HK\$217,000 for the corresponding period in 2012.

Corporate finance

The corporate finance division is licensed under the Securities and Futures Ordinance to provide various corporate financial services. Apart from IPO-related services, the Group offers secondary market financing advisory services, such as placing, rights issue and advisory services on corporate transactions including merger and acquisition.

With the commencement of the new business in corporate finance in 2012, the Group has continued to allocate more resources to develop the corporate finance division for satisfying the needs of the customers. During the Period, the corporate finance division recorded revenue of approximately HK\$5,550,000 (2012: approximately HK\$2,101,000).

Money lending

During the Period, the Group recorded interest income from loan receivables of approximately HK\$2,635,000 (2012: approximately HK\$5,187,000), representing a drop of approximately 49.20% compared with the corresponding period in 2012.

Other businesses

During the Period, the Group recorded revenue from other business operations in the areas of financial communication service and other consultancy service of approximately HK\$2,526,000, representing a slightly decrease of approximately 5.92% as compared to the revenue of approximately HK\$2,685,000 for the corresponding period in 2012. The Group aims at providing its clients with diversified products and services to suit their varying needs.

The Group expects these businesses could contribute steady income with satisfactory return in the long run.

Prospects

In the first half of 2013, the global economy continued to suffer from the potential tapering of quantitative easing in the United States, as well as the economic recession in the Eurozone due to the heightened sovereign debt challenges. As a result, the financial markets in the mainland and Hong Kong were volatile.

Despite the unstable market sentiment, as the China's gateway to the world's economy and trade, Hong Kong still enjoys an edge in the cross-border financial business. During the Period, the Group has continued to identify opportunities actively in this difficult market environment. The Group aimed to increase its market share by expanding its business scope in different areas, and strives to provide clients with one-stop integrated financial services. Its effort was proven with satisfactory performance achieved by its corporate finance business.

Looking ahead to the second half year, the "Stabilising Growth" measures carried out by the Chinese government started to take effect. The economic data released in October 2013 illustrated that the economy has gained momentum, the market is optimistic that the goal of approximately 7.5% growth in the national GDP of this year can be achieved. It's expected that more financial reform policies will be announced after the Third Plenary Session to boost the market recovery in Mainland China and Hong Kong. Meanwhile, the global economy remains uncertain due to the huge unsettled debt issue in Europe and the United States, the Group will continue to be proactive and prudent for the upcoming opportunities and challenges.

The initial public offering (IPO) market in Hong Kong is recovering this year. According to a market survey, as at 31 October 2013, 60 companies had completed listing on the Stock Exchange while the amount of funds raised reached approximately HK\$70.5 billion, representing an increase of approximately 17.6% and 44.2% respectively. The Group will continue to strengthen its corporate finance and financial advisory services in order to achieve better results.

In addition, China's microfinance market continued to grow rapidly. According to the People's Bank of China, as at the end of September 2013, there were a total of 7,398 small loan operators with loan balances of approximately RMB753.4 billion in the PRC. In order to capture this huge microfinance market, we will continue to allocate resources to further develop our microfinance business, aiming to bring contribution to the Group.

Looking ahead, the Group strives to become a major financial services provider in the Greater China region with rewarding returns to shareholders, by further strengthening its existing financial services platform, and introducing various professional financial businesses proactively.

Capital Structure

As at 31 March 2013, the total issued shares of the Company (the "Shares") capital was approximately HK\$316,609,000, comprising 3,166,085,668 Shares of HK\$0.10 each.

A conditional placing agreement dated 18 July 2013 was entered between the Company and Fortune (HK) Securities Limited ("F(HK)SL"), a wholly-owned subsidiary of the Company, as the placing agent for which F(HK)SL agreed to place a maximum of 300,000,000 new Shares at the price of HK\$0.10 per placing Share. All conditions of the placing have been fulfilled and completion of the placing took place on 1 August 2013. The 252,300,000 placing Shares have been successfully placed by F(HK)SL to not fewer than six places at the placing price of HK\$0.10 per placing Share pursuant to the terms and conditions of the placing agreement.

As at 30 September 2013, the total issued Shares capital was approximately HK\$341,839,000 comprising 3,418,385,668 Shares of HK\$0.10 each.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

Liquidity and Financial Resources and Gearing Ratio

During the Period, the Group mainly financed its operations by cash generated from operations and short-term bank and other borrowings.

As at 30 September 2013, the Group's current assets and current liabilities were approximately HK\$367,194,000 (as at 31 March 2013: approximately HK\$447,295,000) and approximately HK\$101,330,000 (as at 31 March 2013: approximately HK\$128,311,000) respectively, while the current ratio was about 3.62 times (as at 31 March 2013: 3.49 times).

As at 30 September 2013, the Group's aggregate cash and cash equivalents amounted to approximately HK\$47,938,000 (as at 31 March 2013: approximately HK\$43,535,000), representing approximately 13.06% (as at 31 March 2013: approximately 9.73%) of total current assets.

As at 30 September 2013, The Group had total bank and other borrowings of approximately HK\$30,000,000 (as at 31 March 2013: approximately HK\$52,954,000). Other borrowings are primarily at fixed rates while bank borrowings are primarily at variable rates. Currently, the entire Group's bank and other borrowings are denominated in Hong Kong Dollar. During the Period, no financial instruments were used for hedging purposes.

As at 30 September 2013, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 32.15% (as at 31 March 2013: approximately 37.92%). The decrease was mainly due to repayment of loans during the Period.

As at 30 September 2013, the debt ratio, defined as total debts over total assets, was approximately 36.48% (as at 31 March 2013: approximately 39.54%).

Events After The Reporting Period

On 16 September 2013, the Company entered into a counter-guarantee agreement with Hanhua Guarantee Company Limited* (“**Hanhua**”), pursuant to which the Company agreed to counter-guarantee Hanhua for all liabilities and expenses which may be incurred by Chongqing Liangjiang New Area Runtong Small Loans Limited* (“**Runtong**”) and on 16 September 2013, the Company entered into a deed of cross indemnity with Credit China Holdings Limited (“**Credit China**”) in relation to the counter-guarantee to Hanhua.

On 19 November 2013, the Company entered into another counter-guarantee agreements with Chongqing Liangjiang New Area Financing Guarantee Company Limited* (“**Liangjiang New Area Guarantee Limited**”), pursuant to which the Company agreed to counter-guarantee Liangjiang New Area Guarantee Limited for all liabilities and expenses which may be incurred by Liangjiang New Area Guarantee Limited in relation to the loans made to Runtong and the fees, expenses and penalties to be received by Liangjiang New Area Guarantee Limited under its guarantee to Runtong and on 19 November 2013, the Company entered into two deeds of cross indemnity with Credit China in relation to the counter-guarantee to Liangjiang New Area Guarantee Limited.

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

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

Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2013 (as at 31 March 2013: nil).

Charge on the Group’s Asset

No asset of the Group was subject to any charge as at 30 September 2013 (as at 31 March 2013: nil).

Risk Management

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

Foreign Currency Fluctuation

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

Human Resources

As at 30 September 2013, the Group had 65 employees in total (as at 31 March 2013: 74 employees). The Group remunerated employees based on the industry practice and individual’s performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions. A summary of the share option scheme is set out on page 35 of this interim report.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 September 2013, the interests and short positions of each of the Directors or chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange of pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Interests in Shares and Underlying Shares:

Name of Director	Capacity	Interest in Shares	Interest in underlying Shares	Approximate percentage of the issued Share capital of the Company
WONG Kam Fat Tony ("Mr. Wong") (Note 1)	Interest of controlled corporations	800,000,000	–	23.40%
XIA Yingyan ("Mr. Xia") (Note 1)	Interest of controlled corporations	800,000,000	–	23.40%

Note:

- Mr. Wong is the vice-chairman and a non-executive Director whereas Mr. Xia is an executive Director. Jadehero Limited ("Jadehero"), a company incorporated in the British Virgin Islands with limited liability, beneficially held 800,000,000 Shares as at 30 September 2013. Jadehero is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited. Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited whereas Mr. Xia is the sole beneficial owner of the entire equity interest in Southlead Limited.

Save as disclosed above, as at 30 September 2013, none of the Directors nor the chief executive of the Company, had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests

As at 30 September 2013, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares and underlying Shares:

Name of Shareholder(s)	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares/ underlying Shares	Approximate percentage of the issued Share capital of the Company
Southlead Limited (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	23.40%
Marvel Steed Limited (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	23.40%
Jadehero (Note 1)	Beneficial owner	800,000,000	–	800,000,000	23.40%
China Cinda (HK) Asset Management Co., Limited (" China Cinda (HK) ") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	14.63%
Well Kent International Investment Company Limited (" Well Kent ") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	14.63%
China Cinda Asset Management Co., Limited (" China Cinda ") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	14.63%
Mankind Investment Limited (" MIL ") (Note 2)	Beneficial owner	500,000,000	–	500,000,000	14.63%
CR Investment Group Limited (" CR Investment ") (Note 3)	Interest of controlled corporation	–	320,000,000	320,000,000	9.36%
PME Group Limited (" PME Group ") (Note 3)	Interest of controlled corporation	–	320,000,000	320,000,000	9.36%
One Express Group Limited (" One Express ") (Note 3)	Beneficial owner	–	320,000,000	320,000,000	9.36%
Chinese Strategic Holdings Limited (formerly known as China Railway Logistics Limited) (" Chinese Strategic ") (Note 4)	Interest of controlled corporation	310,738,000	–	310,738,000	9.09%
Right Magic Limited (" Right Magic ") (Note 4)	Beneficial owner	263,738,000	–	263,738,000	7.72%
SHI Zhi Jun (" Mr. Shi ") (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	5.91%
Kaiser Capital Holdings Limited (" Kaiser Capital ") (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	5.91%
Credit China (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	5.91%
Ever Step Holdings Limited (" Ever Step ") (Note 5)	Beneficial owner	–	201,923,075	201,923,075	5.91%
SO Chi Yuk	Beneficial owner	200,000,000	–	200,000,000	5.85%

Notes:

- As at 30 September 2013, Jadehero beneficially held 800,000,000 Shares. Jadehero is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited.
- As at 30 September 2013, MIL beneficially held 500,000,000 Shares. MIL is wholly-owned by China Cinda (HK) which is in turn wholly-owned by Well Kent. Well Kent is wholly-owned by China Cinda. For the purpose of the SFO, China Cinda (HK), Well Kent and China Cinda are deemed or taken to be interested in the Shares held by MIL.
- As at 30 September 2013, One Express was the subscriber of the 5% coupon convertible loan note issued by the Company in the aggregate principal of HK\$32,000,000 due 29 February 2016 with an initial conversion price of HK\$0.1 per conversion Share (subject to adjustment) which can be converted into 320,000,000 conversion Shares upon full conversion at the initial conversion price. One Express is wholly-owned by CR Investment which in turn is wholly-owned by PME Group. For the purpose of SFO, One Express, CR Investment and PME Group are deemed or taken to be interested in the said 320,000,000 conversion Shares.
- As at 30 September 2013, Right Magic, Sure Venture Investment Limited and Excel Return Enterprise Limited beneficially held 263,738,000 Shares, 40,000,000 Shares and 7,000,000 Shares respectively. Right Magic Limited, Sure Venture Investment Limited and Excel Return Enterprise Limited are all indirect wholly-owned subsidiaries of Chinese Strategic. For the purpose of the SFO, Chinese Strategic is deemed or taken to be interested in the Shares held by Right Magic, Sure Venture Investment Limited and Excel Return Enterprise Limited.
- As at 30 September 2013, Ever Step was the subscriber of the 12% coupon convertible loan note issued by the Company in the aggregate principal of HK\$40,384,615 due 29 December 2014 with an initial conversion price of HK\$0.2 per conversion Share (subject to adjustment) which can be converted into 201,923,075 conversion Shares upon full conversion at the initial conversion price. Ever Step is a direct wholly-owned subsidiary of Credit China which is in turn owned by Kaiser Capital as to 34%. Mr. Shi is the sole beneficial owner of the entire equity interest of Kaiser Capital. For the purpose of the SFO, Credit China, Kaiser Capital and Mr. Shi are deemed or taken to be interested in the said 201,923,075 conversion Shares.

Save as disclosed above, and as at 30 September 2013, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Corporate Governance and Other Information

The Group is committed to ensuring high standard of corporate governance as the Directors believe that it would improve the effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in the markets and could enhance shareholders' value in consequence. None of the Directors is aware of any matter that would reasonably indicate that the Company being not in compliance with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**Code**") – Appendix 14 to the Listing Rules during the Period.

Changes of Directors' information under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information of the Company since the date of the annual report of the Company for the year ended 31 March 2013 are as follows:

Directors' Updated Biographical Details

Mr. ZHANG Min, an executive Director and the Chairman of the Company, has resigned as chief marketing officer of China Cinda Asset Management Ltd with effect from 31 August 2013.

Mr. NG Cheuk Fan Keith, an executive Director and the Managing Director of the Company, currently an executive director, was appointed as the chairman and one of the authorised representatives; and has resigned as the company secretary of U-Right International Holdings Limited, a company listed on the Main Board of the Stock Exchange with effect from 18 September 2013.

Mr. LAM Ka Wai Graham, an independent non-executive Director of the Company, was appointed as an independent non-executive director of CT Environmental Group Limited ("**CT Environmental**") on 14 June 2011. CT Environmental was listed on the Main Board of the Stock Exchange on 25 September 2013.

Mr. NG Kay Kwok, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Merdeka Resources Holdings Limited, a company listed on the Growth Enterprise Markets of the Stock Exchange with effect from 26 July 2013.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 March 2013 up to the date of this interim report.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's original share option scheme was approved by the shareholders on 12 February 2003 (the "**2003 Option Scheme**"), and was early terminated and replaced by a new share option scheme approved by the shareholders on 19 August 2011 (the "**New Option Scheme**").

A summary of the share option schemes is set out below:

(a) 2003 Option Scheme

The 2003 Option Scheme became effective for a period of 10 years commencing on 12 February 2003. Under the terms of the 2003 Option Scheme, the Directors may, at their discretion, grant options to the full-time employees, including Directors of the Company and its subsidiaries, to subscribe for Shares for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for Shares during a period of 5 years commencing on the date of acceptance of the option. The 2003 Option Scheme was early terminated and replaced by the New Option Scheme adopted by shareholders on 19 August 2011.

No share option was granted, exercised, cancelled or lapsed during the Period under the 2003 Option Scheme.

(b) New Option Scheme

At the extraordinary general meeting of the Company held on 19 August 2011 (the "**EGM**"), an ordinary resolution was passed by the shareholders to approve and adopt the New Option Scheme in place of the 2003 Option Scheme.

The New Option Scheme became effective for a period of 10 years commencing on 19 August 2011. Eligible participants of the New Option Scheme included any employee, included Directors; any business associate; any person or entity that provides research, development or other technological support to the Group or any invested entity, and any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or an invested entity ("**Eligible Participants**"). The Directors may, at their sole discretion, grant to any Eligible Participants options to subscribe for ordinary shares of the Company at a price not less than the higher of (i) the nominal value of the Shares; (ii) the closing price of the Shares on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the Shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The offer of a grant of options must be accepted within 28 days from the offer date. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for Shares during a period of 10 years commencing on the date of acceptance of the option.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. Subject to the shareholders' approval, the maximum number of Shares which may be issued upon exercise of the options to be granted under the New Option Scheme shall not exceed 10% of the Shares in issue as at the date of the approval, or the maximum number of Shares in respect of which options may be granted to any employee may not exceed 1% of the Shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any Shares allotted and issued on the exercise of an option will rank *pari passu* with the other Shares in issue at the date of exercise of the relevant option.

No share option was granted, exercised, cancelled or lapsed during the Period under the New Option Scheme.

As at 30 September 2013, the Company did not have any outstanding options under the 2003 Option Scheme and the New Option Scheme.

Purchase, Sale or Redemption of Shares

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

Interim Dividend

The Directors do not declare any interim dividend for the Period.

Review of Financial Information

The Audit Committee comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. LAM Ka Wai Graham and Mr. TAM B Ray Billy.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim financial statements for the Period and this interim report.

By order of the Board
China Fortune Financial Group Limited
NG Cheuk Fan Keith
Managing Director

Hong Kong, 25 November 2013

As at the date hereof, the Board consists of four executive Directors, namely Mr. Zhang Min (Chairman), Mr. Ng Cheuk Fan Keith (Managing Director), Mr. Hon Chun Yu and Mr. Xia Yingyan; two non-executive Directors, namely Mr. Wong Kam Fat Tony (Vice-chairman) and Mr. Wu Ling; and three independent non-executive Directors, namely Mr. Lam Ka Wai Graham, Mr. Ng Kay Kwok and Mr. Tam B Ray Billy.