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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. XIE Zhichun (*Chairman*)
Mr. HAN Hanting (appointed on 6 October 2017)
Mr. LIU Yinan
Mr. HON Chun Yu (resigned on 6 October 2017)
Ms. FU Wan Sheung (resigned on 6 October 2017)

Non-Executive Directors

Mr. TANG Baoqi
Mr. WU Ling
Mr. HUA Yang (appointed on 6 October 2017)

Independent Non-Executive Directors

Mr. CHAN Kin Sang
Mr. NG Kay Kwok
Mr. CHIU Kung Chik
Mr. LI Gaofeng (appointed on 6 October 2017)

COMPANY SECRETARY

Ms. WONG Miu Ying Vivian

AUTHORISED REPRESENTATIVES

Mr. LIU Yinan
Ms. WONG Miu Ying Vivian

AUDIT COMMITTEE

Mr. NG Kay Kwok (*Chairman*)
Mr. CHAN Kin Sang
Mr. CHIU Kung Chik
Mr. LI Gaofeng

REMUNERATION COMMITTEE

Mr. CHIU Kung Chik (*Chairman*)
Mr. XIE Zhichun
Mr. HUA Yang
Mr. NG Kay Kwok
Mr. LI Gaofeng

NOMINATION COMMITTEE

Mr. XIE Zhichun (*Chairman*)
Mr. HAN Hanting
Mr. NG Kay Kwok
Mr. CHIU Kung Chik
Mr. LI Gaofeng

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants

REGISTERED OFFICE

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Grand Cayman, KY1-1104
Cayman Islands

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PRINCIPAL BANKERS

Bank of Communications Co., Ltd., Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Co., Ltd., Hong Kong Branch
China Minsheng Banking Corp., Ltd., Hong Kong Branch
Chong Hing Bank Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP PARTNERS (CAYMAN) LIMITED
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
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290

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The board (the “Board”) of directors (the “Directors”) of China Fortune Financial Group Limited (the “Company”) announces the condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2017 (the “Period”) together with the comparative figures for the corresponding period in 2016. 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 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	52,537	20,284
Cost of brokerage and other services		(6,957)	(5,199)
Other income	5	2,820	75,135
Gain on derivative component of convertible bonds		–	31,564
Reversal/(impairment) of impairment loss on loan and trade receivables		10,050	(427)
Staff costs		(25,551)	(25,615)
Other operating expenses		(19,992)	(20,476)
Finance costs	6	(21,733)	(12,991)
Share of profits of associates		228	4,816
Share of profits (losses) of joint ventures		37	(31)
(Loss) profit before tax	7	(8,561)	67,060
Income tax expense	8	–	–
(Loss) profit for the Period		(8,561)	67,060
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive income (expense) of associates		3,388	(1,911)
Share of other comprehensive income (expense) of joint ventures		44	(33)
Exchange differences arising on translation of foreign operations		1,345	(192)
		4,777	(2,136)
Total comprehensive (expense) income for the Period		(3,784)	64,924
(Loss) profit for the Period attributable to:			
Owners of the Company		(8,561)	67,130
Non-controlling interests		–	(70)
		(8,561)	67,060
Total comprehensive (expense) income for the Period attributable to:			
Owners of the Company		(3,784)	64,960
Non-controlling interests		–	(36)
		(3,784)	64,924
		HK cents	HK cents
(Loss) earnings per share	10		
– Basic		(0.13)	1.96
– Diluted		(0.13)	1.13

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Non-current assets			
Property and equipment	11	1,631	3,669
Other non-current assets		6,840	6,840
Goodwill		4,124	3,994
Interests in associates	12	86,764	83,148
Interests in joint ventures	13	1,167	1,086
Loan receivables	14b)	9,400	7,494
		109,926	106,231
Current assets			
Investments held for trading		103,980	109,298
Held-to-maturity investment		60,308	–
Loan and trade receivables	14	202,680	171,839
Other receivables, deposits and prepayments		13,475	14,380
Bank balances and cash – trust	15	124,419	115,097
Bank balances and cash – general	15	330,123	471,990
		834,985	882,604

Condensed Consolidated Statement of Financial Position

(Continued)

As at 30 September 2017

	Notes	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Current liabilities			
Trade payables, other payables and accruals	16	140,493	125,079
Loan payables	17	–	130,404
Corporate bonds	19	12,443	3,944
Tax payable		720	720
		153,656	260,147
Net current assets			
		681,329	622,457
Total assets less current liabilities			
		791,255	728,688
Capital and reserves			
Share capital	18	70,861	40,367
Reserves		354,791	237,299
Equity attributable to owners of the Company			
		425,652	277,666
Non-controlling interests			
		–	–
Total equity			
		425,652	277,666
Non-current liabilities			
Convertible bonds	20	211,310	290,696
Corporate bonds	19	154,293	160,326
		365,603	451,022
		791,255	728,688

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000 (Note d)	Special reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Other reserve HK\$'000 (Note c)	Accumulated losses HK\$'000	
For the six months ended 30 September 2017									
At 1 April 2017 (audited)	40,367	415,717	(8,181)	99,503	13,524	1,863	(3,440)	(281,687)	277,666
Loss for the period	-	-	-	-	-	-	-	(8,561)	(8,561)
Other comprehensive expense for the period:									
- Exchange differences arising on translation of foreign operations	-	-	1,345	-	-	-	-	-	1,345
- Share of other comprehensive income of joint ventures	-	-	44	-	-	-	-	-	44
- Share of other comprehensive income of associates	-	-	3,388	-	-	-	-	-	3,388
Total comprehensive expense for the period	-	-	4,777	-	-	-	-	(8,561)	(3,784)
Issue of convertible bonds	-	-	-	13,998	-	-	-	-	13,998
Issue of shares for convertible bonds exercised	30,494	153,958	-	(46,680)	-	-	-	-	137,772
At 30 September 2017 (unaudited)	70,861	569,675	(3,404)	66,821	13,524	1,863	(3,440)	(290,248)	425,652

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2016

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Convertible bonds 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	Total equity HK\$'000
For the six months ended											
30 September 2016											
At 1 April 2016 (audited)	341,839	431,725	(2,071)	–	13,524	1,863	(2,315)	(675,900)	108,665	(1,125)	107,540
Profit for the Period	–	–	–	–	–	–	–	67,130	67,130	(70)	67,060
Other comprehensive expense for the Period:											
– Exchange differences arising on translation of foreign operations	–	–	(226)	–	–	–	–	–	(226)	34	(192)
– Share of other comprehensive expense of joint ventures	–	–	(33)	–	–	–	–	–	(33)	–	(33)
– Share of other comprehensive expense of associates	–	–	(1,911)	–	–	–	–	–	(1,911)	–	(1,911)
Total comprehensive income for the Period	–	–	(2,170)	–	–	–	–	67,130	64,960	(36)	64,924
Issue of convertible bonds	–	–	–	51,927	–	–	–	–	51,927	–	51,927
At 30 September 2016 (unaudited)	341,839	431,725	(4,241)	51,927	13,524	1,863	(2,315)	(608,770)	225,552	(1,161)	224,391

Notes:

- 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.
- The capital reserve represents the contributions made by the controlling shareholder under the corporate reorganisation of the Group.
- The other reserves mainly represents premium arisen from the acquisition of additional 20% equity interest in Fortune Financial Capital Limited at cash consideration of HK\$1,793,000, additional 25% equity interest in Fortune Wealth Management Limited at cash consideration of HK\$1,125,000 from non-controlling interests on 18 May 2012 and 10 January 2013 respectively, and additional 20% equity interest in Fortune Consultancy Services (Shenzhen) Limited (富強諮詢服務(深圳)有限公司) at cash consideration of RMB100,000 (equivalent to approximately HK\$114,000) from non-controlling interest on 30 November 2016.
- The Group issued the Tranche 2 of the convertible bonds to Riverhead Capital (International) Management Co., Ltd. ("Riverhead Capital") during the Period, which is bifurcated into a liability component and an equity component. The equity component is presented in equity heading "convertible bonds equity reserve". The convertible bonds to Mankind Investment Limited and the Tranche 1 of the convertible bonds to Riverhead Capital were exercised during the Period, of which the corresponding liability component and equity component were adjusted.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities (Note a)	(24,455)	17,816
Net cash used in investing activities (Note b)	(41,486)	(350)
Net cash from financing activities (Note c)	(77,271)	29,420
Net (decrease) increase in cash and cash equivalents	(143,212)	46,886
Cash and cash equivalents at 1 April	471,990	46,757
Effect of foreign exchange rate changes	1,345	(192)
Cash and cash equivalents at 30 September, represented by bank balances and cash – general	330,123	93,451

Notes:

- (a) Operating activities resulted in a net cash outflow in the Period mainly due to increase in loan receivables from money lending business.
- (b) Net cash outflow from investing activities in the Period is attributed by investment in debt securities, partially offset by cash inflow from proprietary trading.
- (c) Net cash outflow from financing activities in the Period mainly resulted from a loan repayment of HK\$130,000,000, which is partially offset by issuance of a convertible bond of HK\$60,000,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

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 2017.

Amendments to HKAS 7
Amendments to HKFRS 12

Statement of cash flows: Disclosure Initiative
Income taxes: Recognition of deferred assets for unrealized losses

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Revenue

Revenue represents the net amounts received and receivable for services provided in the normal course of business.

An analysis of the Group's revenue for the Period is as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Dividend income	1,213	74
Income from securities brokerage business	14,890	5,079
Income from factoring business	–	3
Interest income from money lending business	3,504	3,588
Income from insurance brokerage business	876	2,218
Margin interest income from securities brokerage business	5,854	6,108
Net gain (loss) on trading of listed securities	11,150	(830)
Service income from corporate finance	15,050	4,044
	52,537	20,284

4. Segment Information

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focus is 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 brokerage and margin financing segment engages in securities business and margin financing in Hong Kong;
- (2) The proprietary trading segment engages in proprietary trading of securities;
- (3) The corporate finance segment engages in the provision of corporate finance services in Hong Kong;
- (4) The money lending and factoring segment engages in the provision of money lending and factoring services in Hong Kong; and
- (5) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) from each segment without allocation of central administrative expenses, directors' remunerations and certain other operating income (interest income and gains on investments held for trading). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Inter-segment revenue are charged at prevailing market prices.

Information regarding the above segments is reported below.

4. Segment Information (Continued)**Segment assets and liabilities**

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Segment assets		
Brokerage and margin financing	395,906	419,457
Proprietary trading	111,224	26,489
Corporate finance	15,979	9,985
Money lending and factoring	83,119	35,699
Consultancy and insurance brokerage	4,060	1,715
Total segment assets	610,288	493,345
Unallocated	334,623	495,490
Consolidated assets	944,911	988,835
Segment liabilities		
Brokerage and margin financing	137,592	121,038
Proprietary trading	68	136
Corporate finance	2,534	1,575
Money lending and factoring	3	53
Consultancy and insurance brokerage	363	590
Total segment liabilities	140,560	123,392
Unallocated	378,699	587,777
Consolidated liabilities	519,259	711,169

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

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

5. Other Income

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Handling fee income	1,347	1,320
Interest income from financial institutions	366	17
Management fee income	–	190
Gain on disposal of property and equipment	360	125
Gain on disposal of a joint venture	–	73,000
Exchange gain, net	–	35
Sundry income	747	448
	2,820	75,135

6. Finance Costs

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	1,344	16
Effective interest on corporate bonds (note 19)	8,005	7,529
Effective interest on convertible bonds	12,384	5,446
	21,733	12,991

7. (Loss) Profit Before Tax

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit before tax has been arrived at after charging:		
Total staff costs:		
– directors' remunerations (note 21)	6,343	1,932
– salaries and allowance	18,644	23,167
– retirement benefit scheme contributions (excluding directors)	564	516
	25,551	25,615
Impairment loss on loan and trade receivables	177	6,310
Operating lease in respect of rented premises and equipment	7,546	6,577

8. Income Tax Expense

No Hong Kong Profits Tax has been provided as the Group's assessable profit for the Period has been fully absorbed by the tax losses brought forward from prior periods (six months ended 30 September 2016: nil).

Under the Law of the People's Republic of China (the "PRC") or ("China") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to the PRC EIT Law during the six months ended 30 September 2017 and 2016.

9. 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 2016: nil).

10. (Loss) Earnings Per Share

Basic and diluted (loss) earnings per share

Basic loss (six months ended 30 September 2016: earnings) per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$8,561,000 (six months ended 30 September 2016: profit attributable to owners of the Company of approximately HK\$67,130,000) by the weighted average number of 6,652,837,875 ordinary shares (six months ended 30 September 2016: 3,418,385,668 shares) in issue during the Period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. The convertible bonds were assumed to have been converted into ordinary shares, and the net profit has been adjusted to eliminate the interest expense and fair value change less the tax effect.

The calculation of diluted loss per share for the Period does not assume the exercise of the Company's outstanding conversion of outstanding convertible loan notes which had anti-dilutive effect and would result in a reduction in loss per share. Therefore, the diluted loss per share is the same as the basic loss per share for the Period.

For the period ended 30 September 2016, the profit attributable to owners of the Company of approximately HK\$67,130,000 has been adjusted to eliminate the fair value gain of derivative component of convertible loan notes of approximately HK\$31,564,000 and the effective interest on convertible loan notes of approximately HK\$5,446,000. The weighted average number of 3,418,385,668 ordinary shares in issue during the period ended 30 September 2016 has been adjusted for the potential dilutive ordinary shares of 224,835,858 arising from the convertible loan notes.

11. Property and Equipment

During the Period, the Group spent approximately HK\$131,000 (six months ended 30 September 2016: HK\$1,710,000) for the purchase of property and equipment.

Five motor vehicles with net carrying value of approximately HK\$1,685,000 were disposed of by the Group for cash proceeds of approximately HK\$2,045,000, resulting in a net gain on disposal of approximately HK\$360,000 which was recognised in profit or loss during six months ended 30 September 2017.

Two motor vehicles with a zero net carrying value each were disposed of by the Group for total cash proceeds of HK\$125,000, resulting in a net gain on disposal of HK\$125,000 which was recognised in profit or loss during the six months ended 30 September 2016.

12. Interests in Associates

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Cost of investments in unlisted associates	64,131	64,131
Share of post-acquisition profits and other comprehensive income	22,633	19,017
	86,764	83,148

12. Interests in Associates (Continued)

Set out below are the particulars of the principal associates as at 30 September 2017 and 31 March 2017 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 2017	31 March 2017	30 September 2017	31 March 2017	
Starlight Financial Holdings Limited ("Starlight")	Limited liability company	Hong Kong	234,000,000 ordinary shares	25%	25%	33% (Note)	33% (Note)	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
Wine Financier Limited	Limited liability company	Hong Kong	10,000 ordinary shares	25%	25%	33%	33%	Provision of loan financing services

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

Wine Financier Limited, City Eagle Holdings Limited and Runtong are wholly-owned subsidiaries of Starlight.

Note: 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 2017, included in the cost of investment in associates was goodwill of approximately HK\$4,052,000 (as at 31 March 2017: HK\$4,052,000) arising on the acquisition of associates.

13. Interests in Joint Ventures

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Cost of investments in unlisted joint ventures	1,415	1,415
Share of post-acquisition losses and other comprehensive expense	(248)	(329)
	1,167	1,086

Details of the joint ventures as at 30 September 2017 and 31 March 2017 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 2017	31 March 2017	30 September 2017	31 March 2017	
Shenzhen Qianhai Fortune Financial Service Company Limited* ("Qianhai Fortune Financial")	Limited liability company	the PRC	Registered capital of RMB754,000	30%	30%	40%	40%	Provision of corporate financial consultancy service
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 transliteration of the Chinese name in this 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 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 a joint venture of the Group.

14. Loan and Trade Receivables

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

	Notes	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade receivables	a)	137,341	144,907
Loan receivables – current	b)	65,339	26,932
		202,680	171,839
Loan receivables – non-current	b)	9,400	7,494
		212,080	179,333

a) Trade receivables

The followings are the balances of trade receivables, net of impairment losses:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade receivables from security brokerage business		
– cash clients	232	705
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	1,750	–
– margin clients	132,154	144,983
Trade receivables from other businesses	3,671	2,761
	137,807	148,449
Less: Impairment loss	(466)	(3,542)
	137,341	144,907

The settlement terms of trade receivables, except for secured margin clients, arising from the business of dealing in securities are two days after the trade date. The Group allows an average credit period of 30 days (as at 31 March 2017: 30 days) to its trade 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 business of margin financing.

14. Loan and Trade Receivables (Continued)**a) Trade receivables (Continued)**

The following is an aging analysis of trade receivables (excluded margin clients), net of impairment losses, at the end of the Period/year based on the invoice date which approximated the respective revenue recognition dates is as follows:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Less than 30 days	5,152	1,413
31 to 60 days	59	49
61 to 90 days	180	31
Over 90 days	262	584
	5,653	2,077

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of approximately HK\$1,064,620,000 (as at 31 March 2017: HK\$1,228,702,000) which could be realised at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. There is no replene of the collateral from margin clients for the six months ended 30 September 2017 and 2016.

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Balance at beginning of the Period/year	3,542	73,205
Amounts written off as uncollectible	(1,388)	–
Disposal of trade receivables	–	(63,811)
Reversal of impairment loss	(1,865)	(7,417)
Impairment loss recognised	177	1,565
Balance at end of the Period/year	466	3,542

Included in the impairment loss recognised in respect of trade receivables with an aggregated balance of approximately HK\$466,000 (as at 31 March 2017: HK\$3,542,000) was individually impaired trade debtors who were in financial difficulties. Trade receivables of approximately HK\$1,388,000 were directly written off during the Period.

14. Loan and Trade Receivables (Continued)**b) Loan receivables**

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Non-current portion		
Secured loan receivables	2,590	7,494
Unsecured loan receivables	6,810	5,216
	9,400	12,710
Less: Impairment loss	–	(5,216)
	9,400	7,494
Current portion		
Secured loan receivables	52,858	9,690
Unsecured loan receivables	12,481	20,627
	65,339	30,317
Less: Impairment loss	–	(3,385)
	65,339	26,932
Total	74,739	34,426

The secured loan receivables are secured by equity shares of listed companies and second mortgage over certain property units and bear interest at a fixed interest rate at 10.8% to 22.5% (as at 31 March 2017: 14% to 22.5%) per annum.

The unsecured loan receivables carry interest at fixed interest rate at 15% to 22% (as at 31 March 2017: 15% to 22%) per annum. The unsecured loan receivables are guaranteed by an independent third party as at 30 September 2017 and 31 March 2017.

14. Loan and Trade Receivables (Continued)**b) Loan receivables (Continued)**

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Less than 30 days	50,672	457
31 to 60 days	21	628
61 to 90 days	21	–
Over 90 days	24,025	33,341
	74,739	34,426

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

No impairment loss in respect of loan receivables (as at 31 March 2017: HK\$8,601,000) has been recognised during the Period, which is based on the estimated irrecoverable amount by reference to the creditability of the customer, past default experience and subsequent settlement.

15. 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 and futures brokerage 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

Bank balances and cash held by the Group which amounted to approximately HK\$330,123,000 (as at 31 March 2017: HK\$471,990,000) were with an original maturity of three months or less. The bank balances and bank deposits carried interest at market rates ranging from 0.001% to 0.9% (as at 31 March 2017: 0.001% to 0.15%) per annum.

As at 30 September 2017, the Group had bank balances of approximately HK\$15,385,000 (as at 31 March 2017: HK\$6,947,000) and HK\$5,638,000 (as at 31 March 2017: HK\$2,063,000) which were originally denominated in United States dollar ("USD"), and Renminbi ("RMB") respectively.

16. Trade Payables, Other Payables and Accruals

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade payables from the business of dealing in securities:		
– Margin and cash clients	125,135	114,037
– HKSCC	–	5,183
Other payables and accruals	15,358	5,859
	140,493	125,079

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

17. Loan Payable

The loan is unsecured, interest bearing at 8% per annum and repaid on 11 May 2017 (as at 31 March 2017: approximately HK\$130,404,000).

18. Share Capital

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
At 1 April 2016 (audited), ordinary shares of HK\$0.1 each		5,000,000	500,000
Capital reduction	a)	–	(450,000)
Increase in authorised share capital	a)	15,000,000	150,000
At 31 March 2017 (audited) and 30 September 2017 (unaudited)		20,000,000	200,000
Issued and fully paid:			
At 1 April 2016 (audited), ordinary shares of HK\$0.1 each		3,418,386	341,839
Issue of shares for convertible bonds exercised	b)	618,343	61,834
Capital reduction	a)	–	(363,306)
At 31 March 2017 (audited)		4,036,729	40,367
Issue of shares for convertible bonds exercised	b)	3,049,350	30,494
At 30 September 2017 (unaudited)		7,086,079	70,861

18. Share Capital (Continued)**a) Capital reorganisation**

On 15 March 2017, the Company implemented a capital reorganisation including i) capital reduction and ii) the increase in authorised share capital.

The par value of issued ordinary share was reduced from HK\$0.1 to HK\$0.01 for i) all the then outstanding shares in issue exactly 4,036,728,859 by cancellation of paid-up capital of HK\$0.09 per share (approximately HK\$363,306,000 on aggregate); and ii) authorised but not issued shares exactly 963,271,141. Effectively, authorised share capital was reduced from HK\$500,000,000 to HK\$50,000,000.

The cancellation of paid-up capital of approximately HK\$363,306,000 on aggregate was offset by crediting the same amount to accumulated losses of the Company.

After reduction in par value of ordinary shares, authorised share capital was increased by lifting number of authorised shares from 5,000,000,000 to 20,000,000,000. Effectively, authorised share capital was increased from HK\$50,000,000 to HK\$200,000,000.

b) Issue of shares for convertible bonds exercised

On 11 November 2016 and 29 November 2016, the holders of convertible bond series 2017 B and A exercised the option to convert as ordinary shares at HK\$0.104 and HK\$0.13 for approximately 307,692,000 shares and approximately 310,651,000 shares respectively.

On 27 April 2017, the holders of convertible bond series 2017 C exercised the option to convert as ordinary shares at HK\$0.06 for approximately 3,049,350,000 shares.

19. Corporate Bonds

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Current	12,443	3,944
Non-current	154,293	160,326
	166,736	164,270

19. Corporate Bonds (Continued)

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

Issue in the year ended	Original terms	Annual coupon rate	Effective interest rate	Principal HK\$'000	Carrying amount HK\$'000
At 30 September 2017					
31 March 2014	7 – 7.5 years	6% – 7%	8.59% – 9.66%	43,000	42,246
31 March 2015	7 years	6% – 6.5%	8.59% – 9.12%	57,500	53,941
31 March 2016	2 – 7 years	6% – 7%	9.12% – 10.78%	28,810	27,693
31 March 2017	2 – 7.5 years	6% – 6.5%	9.10% – 10.34%	47,000	42,856
					166,736
At 31 March 2017					
31 March 2014	7 – 7.5 years	6% – 7%	8.59% – 9.66%	43,000	40,277
31 March 2015	7 years	6% – 6.5%	8.59% – 9.12%	57,500	53,346
31 March 2016	2 – 7 years	6% – 7%	9.12% – 10.78%	28,810	27,119
31 March 2017	2 – 7.5 years	6% – 6.5%	9.10% – 10.25%	47,000	43,528
					164,270

These corporate bonds are repayable in the following schedule:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Within one year	12,443	3,944
More than one year but not exceeding two years	10,928	9,823
More than two years but not exceeding five years	114,946	112,313
More than five years	28,419	38,190
166,736		164,270

20. Convertible Bonds

The Group employs convertible bonds as one of its sources of financing. In the both year/period presented, the Company issued below series of convertible bonds with maturity terms ranging from 1 to 3 years, unsecured, coupon rate at 2%-12%, with or without issuer redemption rights by the Company.

Convertible bonds are carried at amortised cost, and corresponding equity components, namely convertible bond reserves, were recognised at issue date. At reporting date, carrying amounts of the convertible bonds and these reserves were:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Non-current		
Convertible bonds	211,310	290,696
Convertible bonds equity reserves	66,821	99,503

Particulars of new issued convertible bonds during the year are set out as below:

	Issue date	Maturity date	Coupon rate	Effective interest rate	Principal HK\$'000	Conversion price per share HK\$	Issuer redemption right
At 30 September 2017							
2017 D	28 June 2017	27 June 2020	2%	11.17%	60,000	0.060	No
At 31 March 2017							
2017 A	6 April 2016	5 April 2017	12%	14.99%	40,385	0.130	Yes
2017 B	6 July 2016	5 July 2018	5%	13.54%	32,000	0.104	Yes
2017 C	30 March 2017	29 March 2020	2%	12.47%	390,000	0.060	No

The issuer redemption right confers the Company an option to redeem the convertible bonds before maturity and conversion exercise, and is accounted as a separate derivative component. The fair value of the derivative components at issuance and subsequently at end of year was estimated using Black-Scholes option pricing model by recognised valuation specialist and any change in fair value is recognised in profit or loss.

20. Convertible Bonds (Continued)

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

	Convertible Bond Series				Total HK\$'000
	2017 A HK\$'000	2017 B HK\$'000	2017 C HK\$'000	2017 D HK\$'000	
Liability components					
At 1 April 2016 (audited)	–	–	–	–	–
Issue of convertible bonds	39,333	27,303	290,497	–	357,133
Interests at effective interest rates	3,751	1,254	199	–	5,204
Conversion at exercise	(43,084)	(28,557)	–	–	(71,641)
At 31 March 2017 (audited)	–	–	290,696	–	290,696
Issue of convertible bonds	–	–	–	46,002	46,002
Interests at effective interest rates	–	–	11,047	1,337	12,384
Conversion at exercise	–	–	(137,772)	–	(137,772)
At 30 September 2017 (unaudited)	–	–	163,971	47,339	211,310
Convertible Bond Series					
	2017 A HK\$'000	2017 B HK\$'000	2017 C HK\$'000	2017 D HK\$'000	Total HK\$'000
Equity components					
At 1 April 2016 (audited)	–	–	–	–	–
Issue of convertible bonds	24,126	27,804	99,503	–	151,433
Issue of shares for convertible bonds exercised	(24,126)	(27,804)	–	–	(51,930)
At 31 March 2017 (audited)	–	–	99,503	–	99,503
Issue of convertible bonds	–	–	–	13,998	13,998
Issue of shares for convertible bonds exercised	–	–	(46,680)	–	(46,680)
At 30 September 2017 (unaudited)	–	–	52,823	13,998	66,821
Derivative components					
At 1 April 2016 (audited)	–	–	–	–	–
Issue of convertible bonds	(23,074)	(23,107)	–	–	(46,181)
Gains on exercise of conversion	(9,468)	(22,096)	–	–	(31,564)
Conversion at exercise	32,542	45,203	–	–	77,745
At 31 March 2017 (audited) and 30 September 2017 (unaudited)	–	–	–	–	–

21. 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 2017 and 2016. The remuneration of executive Directors during the Period was as follows:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	6,307	1,915
Post-employment benefits	36	17
	6,343	1,932

22. Commitments

(i) Operating lease commitments

The Group as lessee

The Group leases certain of its office premises and equipment under operating lease arrangements. Lease for properties and equipment are negotiated for a term ranging from one year to five years (as at 31 March 2017: half year to five years) and rentals are fixed at the inception of lease. No provision for contingent rent and terms of renewal were established in the lease.

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Within one year	14,741	2,268
In the second to fifth years, inclusive	4,876	643
	19,617	2,911

(ii) Capital commitment

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

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Contracted but not provided for:		
Investment in joint ventures	5,786	5,428
Investment in subsidiaries	112,700	11,405

23. Fair Value Measurements of Financial Instruments

Financial instruments and non-financial assets measured at fair value in the 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).

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)		
Financial assets				
Investments held for trading	103,980	109,298	Level 1	Quoted bid prices in active market

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

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

24. Event After the Reporting Period

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

Management Discussion and Analysis

Results

For the Period, revenue of the Group amounted to approximately HK\$52,537,000, representing an increase of approximately 159.01% from approximately HK\$20,284,000 for the six months ended 30 September 2016. The increase in turnover was mainly attributable to increase in turnover contributed from the business of brokerage and margin financing and provision of corporate finance services.

The Group recorded a loss for the Period of approximately HK\$8,561,000 as compared with the profit of approximately HK\$67,060,000 for the corresponding period in 2016. Net loss attributable to owners of the Company for the Period amounted to approximately HK\$8,561,000, while the Group recorded the profit of approximately HK\$67,130,000 for the corresponding period in 2016. The turnaround from profit to loss was principally attributable to (i) an one-time gain arising from the disposal of shares and benefits related to shareholders loan of Measure Up International Limited of approximately HK\$73,000,000 for the corresponding period in 2016; (ii) revaluation gain of derivative component of convertible bonds of approximately HK\$31,564,000 for the corresponding period in 2016; (iii) an increase in the revenue of the Group for the Period compared to the corresponding period in 2016, which is partially offset by (iv) an increase in finance costs for the issue of convertible bonds by the Company.

The basic and diluted loss per share for the Period were approximately HK0.13 cents and HK0.13 cents respectively as compared with the basic and diluted earnings per share of approximately HK1.96 cents and HK1.13 cents respectively for the corresponding period in 2016.

Business Review

Brokerage and margin financing

During the Period, the Group's revenue from brokerage and margin financing business showed an increase to approximately HK\$20,744,000, representing an increase of approximately 85.43% as compared to the revenue of approximately HK\$11,187,000 for the corresponding period in 2016.

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 securities traded were shares listed on the Stock Exchange. The segment of proprietary trading business recorded a trading gain of approximately HK\$12,363,000 (2016: trading loss of approximately HK\$756,000) and incurred a segment profit of approximately HK\$12,146,000 (2016: segment loss of approximately HK\$887,000). The respective segment profit was due to an overall upswing in stock prices on securities held by the Group.

Corporate finance

The corporate finance market was under a keen competition during the Period. Segment revenue from our corporate finance business increased by approximately 250.49% from approximately HK\$4,294,000 to approximately HK\$15,050,000 while the segment profit for the Period amounted to approximately HK\$344,000 as compared to a segment loss amounted to approximately HK\$7,362,000 for the corresponding period in 2016.

Money lending and factoring

During the Period, the Group recorded an interest income from money lending and income from factoring of approximately HK\$3,504,000 (2016: approximately HK\$3,591,000), representing a decrease of approximately 2.42% as compared with the corresponding period in 2016. The segment profit for the Period amounted to approximately HK\$11,460,000 (2016: approximately HK\$2,702,000). The increase in the segment profit was mainly due to the reversal of impairment loss recognised in respect of loan receivables of approximately HK\$8,362,000 during the Period.

Consultancy and insurance brokerage

During the Period, the Group recorded a segment revenue from consultancy and insurance brokerage services of approximately HK\$1,024,000 (2016: approximately HK\$2,359,000), representing a decrease of approximately 56.59% as compared with the corresponding period in 2016.

Prospect

In July 2017, when President Xi Jinping was visiting Hong Kong for the SAR's 20th anniversary, he pointed out that it is equally important to develop the socialist Mainland China, and the capitalist Hong Kong. During the 19th National Congress of CPC held between October 18th to 24th in Beijing, General Secretary Xi said in his speech again that Hong Kong "shall share both the historic responsibility of national rejuvenation and the pride of a strong and prosperous China."

In recent years, we witnessed a number of central government's beneficial policies towards Hong Kong: The infrastructure construction of Hong Kong-Zhuhai-Macau Bridge and the Guangzhou-Shenzhen high-speed railway; The open-up of cross-border financial and investment activities through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, and Bond Connect; the Belt & Road Initiative and the Asian Infrastructure Investment Bank, to name but a few. Hong Kong now has strong and well-rounded support from the central government in trade, finance, infrastructure, tourism, etc. Hong Kong is closely partnering with Mainland China to form regional partnerships and explore the global market, and has embarked on a broad path of complementarity, common development and sharing of achievements.

The report delivered during the 19th CPC National Congress has made clear for Hong Kong that both sides will focus on collaborations, especially those under the frameworks of Guangdong-Hong Kong-Macau Greater Bay area and the Pan-Pearl River area. The sustained fast growth of China as a whole has paved the way for Hong Kong and provided unprecedented opportunities.

The Company will not stand on the sidelines at this special historic moment in the Chinese history. We will tap into the potential opportunities brought by the opening-up policies including the Guangdong-Hong Kong-Macau Greater Bay area, the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect, and Bond Connect, etc. We will be honest, proactive, cooperative, and innovative; to create value for our clients and shareholders; and to draw a bright future for the Company and our people.

Capital Structure

As at 30 September 2017, the nominal value of the total issued share capital of the Company was approximately HK\$70,861,000 comprising 7,086,078,859 shares of the Company of HK\$0.01 each (the "Shares").

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

Capital Risk Management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes convertible bonds, corporate bonds, 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 2017.

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 it meets the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules. The range of liquid capital is from HK\$100,000 to HK\$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

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

There is no non-compliance of the capital requirements of the Group members imposed by the respective regulators during the Period and the year ended 31 March 2017.

Liquidity and Financial Resources and Gearing Ratio

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

As at 30 September 2017, the Group's current assets and current liabilities were approximately HK\$834,985,000 (as at 31 March 2017: approximately HK\$882,604,000) and approximately HK\$153,656,000 (as at 31 March 2017: approximately HK\$260,147,000) respectively, while the current ratio was about 5.43 times (as at 31 March 2017: about 3.39 times).

As at 30 September 2017, the Group's aggregate cash and cash equivalents amounted to approximately HK\$330,123,000 (as at 31 March 2017: approximately HK\$471,990,000), of which approximately 93.62% was denominated in Hong Kong dollars (as at 31 March 2017: approximately 98.09%), approximately 4.66% was denominated in USD (as at 31 March 2017: approximately 1.47%), and approximately 1.71% was denominated in RMB (as at 31 March 2017: approximately 0.44%), representing approximately 39.54% (as at 31 March 2017: approximately 53.48%) of total current assets. As at 30 September 2017, the Group had no bank and other borrowings (as at 31 March 2017: the Group had a loan with accrued interest in approximately HK\$130,404,000).

During the Period, no financial instruments were used for hedging purposes. As at 30 September 2017, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 88.82% (as at 31 March 2017: approximately 210.82%). The decrease was mainly due to repayment of loan payable and exercise of convertible bonds. As at 30 September 2017, the debt ratio, defined as total debts over total assets, was approximately 54.95% (as at 31 March 2017: approximately 71.92%).

During the Period, no corporate bond was issued. For the year ended 31 March 2017, the Group has issued corporate bonds ranging from 2 to 7.5 years with aggregate face value of HK\$47,000,000 to 16 independent third parties, net of direct expenses of approximately HK\$6,769,000, their maturity dates are from May 2018 to April 2024 and carry interest at fixed rate of 6% to 6.5% per annum with interest payable on the date falling on each anniversary of the issue date and maturity date of the corporate bonds (both dates exclusive). The corporate bonds are unsecured.

Issue of Convertible Bonds

On 22 November 2016, the Company (as the issuer) entered into three convertible bonds subscription agreements (the “**Cinda Subscription Agreement**”, “**PAL Supplemental Agreement**” and “**Riverhead Capital Subscription Agreement**”) with three subscribers in an aggregate principal amount of HK\$570,000,000.

- (i) The Company entered into a Cinda Subscription Agreement with Mankind Investment Limited (the “**Mankind**”), pursuant to the Cinda Subscription Agreement, Mankind agreed to subscribe for the convertible bonds in the principal amount of HK\$110,754,000 (the “**Convertible Bonds to Mankind**”).
- (ii) On 21 September 2016, the Company entered into a PAL subscription agreement with Pacific Alliance Limited (the “**PAL**”), and subsequently the Company entered into PAL Supplemental Agreement on 22 November 2016. Pursuant to the PAL Supplemental Agreement, PAL agreed to subscribe for the convertible bonds in the principal amount of HK\$153,585,000 (the “**Convertible Bonds to PAL**”).
- (iii) The Company entered into a Riverhead Capital Subscription Agreement with Riverhead Capital, pursuant to the Riverhead Capital Subscription Agreement, Riverhead Capital agreed to subscribe for the convertible bonds for 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) took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead Capital are all bear an interest rate of 2% and mature on the third (3rd) anniversary of the date of issue of the convertible bonds with both dates inclusive at the conversion price of HK\$0.06 per conversion share. Upon full conversion of the convertible bonds to all subscribers at the conversion price of HK\$0.06, a total number of 6,500,000,000 conversion shares will be issued, subject to adjustments to the conversion price of HK\$0.06.

The net proceeds raised through the issue of the three convertible bonds are approximately HK\$385,000,000, in which i) approximately HK\$180,000,000 will be 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 subsequently exercised in approximately 51.74% of original principal amount, which was equivalent to the amount of HK\$57,300,000 at the conversion price of HK\$0.06 on 27 April 2017. After completion of conversion, the number of 955,000,000 shares was being issued. Furthermore, the Tranche 1 of the Convertible Bonds to Riverhead Capital was also exercised in full in the principal amount of HK\$125,661,000 at the conversion price of HK\$0.06 on 27 April 2017. After the completion of conversion, the number of 2,094,350,000 shares was being issued.

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 are HK\$60,000,000, in which approximately HK\$50,000,000 will be used for further expanding its margin financing business and approximately HK\$10,000,000 for its underwriting business.

For details of the Cinda Subscription Agreement, PAL subscription/Supplemental Agreement and Riverhead Capital Subscription Agreement and the relevant transactions, please refer to the announcements of the Company dated 21 September 2016, 22 November 2016, 30 March 2017 and 28 April 2017.

Significant Investment

As at 30 September 2017, the Group held financial asset at fair value through profit or loss of approximately HK\$103,980,000 (as at 31 March 2017: approximately HK\$109,298,000).

Material Acquisition and Disposal

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

Contingent Liabilities

As at 30 September 2017, the Group had no material contingent liabilities (as at 31 March 2017: nil).

Charge on the Group's Asset

No asset of the Group was subject to any charge as at 30 September 2017 (as at 31 March 2017: 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 2017, the Group had 78 employees in total (as at 31 March 2017: 72 employees). The related employees' costs for the Period (excluding directors' remunerations) amounted to approximately HK\$19,208,000 (as at 31 March 2017: approximately HK\$43,238,000). 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.

Event After The Reporting Period

Details of significant event occurring after the Period are set out in note 24 to the condensed consolidated financial statements.

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 2017, 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 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long position in the Shares and underlying shares of the Company:

Name of Director	Capacity	Interest in Shares	Interest in underlying shares	Total interest in Shares/ underlying shares	Approximate percentage of the issued share capital of the Company
Mr. XIE Zhichun ("Mr. Xie") ^(Note)	Interest of controlled corporation	2,094,350,000	3,000,000,000	5,094,350,000	71.89%

Note:

As at 30 September 2017, Mr. Xie was deemed to be interested in 2,094,350,000 Shares held by Riverhead Capital (a company which was owned as to 80% by Mr. Xie who was also the sole director of Riverhead Capital) and 3,000,000,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds (at the conversion price of HK\$0.06 per conversion share) (i) in the principal amount of HK\$60,000,000 issued by the Company to Riverhead Capital on 28 June 2017 and (ii) in the principal amount of HK\$120,000,000 to be issued by the Company to Riverhead Capital pursuant to the subscription agreement entered into between the Company and Riverhead Capital on 22 November 2016.

Save as disclosed above, as at 30 September 2017, none of the Director or 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 2017, as far as is known to the Directors, the following substantial shareholders (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 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
Riverhead Capital (International) Management Co., Ltd. ("Riverhead Capital") (Note 1)	Beneficial owner	2,094,350,000	3,000,000,000	5,094,350,000	71.89%
Jadehero Limited ("Jadehero") (Note 2)	Beneficial owner	800,000,000	–	800,000,000	11.29%
Southlead Limited ("Southlead") (Note 2)	Interest of controlled corporation	800,000,000	–	800,000,000	11.29%
Wahen Investments Limited ("Wahen") (Note 2)	Interest of controlled corporation	800,000,000	–	800,000,000	11.29%
Mankind Investment Limited ("Mankind") (Note 3)	Beneficial owner	1,416,430,000	890,900,000	2,307,330,000	32.56%
China Cinda (HK) Asset Management Co., Limited ("China Cinda (HK)") (Note 3)	Interest of controlled corporation	1,416,430,000	890,900,000	2,307,330,000	32.56%
China Cinda (HK) Holdings Company Limited ("China Cinda Holdings") (Note 3)	Interest of controlled corporation	1,416,430,000	890,900,000	2,307,330,000	32.56%
China Cinda Asset Management Co., Limited ("China Cinda Asset") (Note 3)	Interest of controlled corporation	1,416,430,000	890,900,000	2,307,330,000	32.56%
Pacific Alliance Limited ("PAL") (Note 4)	Beneficial owner	–	2,559,750,000	2,559,750,000	36.12%
Best Fortress Limited ("BFL") (Note 4)	Interest of controlled corporation	–	2,559,750,000	2,559,750,000	36.12%

Notes:

1. As at 30 September 2017, Riverhead Capital beneficially held 2,094,350,000 Shares and 3,000,000,000 underlying shares of the Company. Riverhead Capital was owned as to 80% by Mr. Xie, the executive Director and chairman of the Company. For the purpose of the SFO, Mr. Xie was deemed to be interested in the Shares and underlying shares held by Riverhead Capital.
2. As at 30 September 2017, Jadehero beneficially held 800,000,000 Shares. Jadehero was owned as to 80% by Southlead. Southlead was wholly-owned by Wahren which in turn was wholly-owned by Mr. Zhao Xu Guang. For the purpose of the SFO, Southlead, Wahren and Mr. Zhao Xu Guang were deemed to be interested in the Shares held by Jadehero.
3. As at 30 September 2017, Mankind beneficially held 1,416,430,000 Shares and 890,900,000 underlying shares of the Company, which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the outstanding balance of the principal amount of HK\$53,454,000 (at the conversion price of HK\$0.06 per conversion share) by the Company to Mankind pursuant to the subscription agreement entered into between the Company and Mankind on 22 November 2016. Mankind was wholly-owned by China Cinda (HK) which in turn was wholly-owned by China Cinda Holdings. China Cinda Holdings was wholly-owned by China Cinda Asset. For the purpose of the SFO, China Cinda (HK), China Cinda Holdings and China Cinda Asset were deemed to be interested in the Shares and underlying shares held by Mankind.
4. As at 30 September 2017, PAL beneficially held 2,559,750,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK\$153,585,000 (at the conversion price of HK\$0.06 per conversion share) by the Company to PAL pursuant to the supplemental agreement entered into between the Company and PAL on 22 November 2016. PAL was wholly-owned by BFL which in turn was owned as to 90% by Mr. Yip Sum Yin. For the purpose of the SFO, BFL and Mr. Yip Sum Yin were deemed to be interested in the underlying shares held by PAL.

Save as disclosed above, as at 30 September 2017, the Directors were not aware of any substantial shareholders (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

Compliance with Corporate Governance Code

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.

During the Period, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviation:

Code Provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company does not have the position of "chief executive". In the past, the duty of this role was assumed by the managing director of the Company (the "Managing Director"). Subsequent to the resignation of Mr. NG Cheuk Fan Keith as the Managing Director on 8 July 2016, such duties have been taken up by the Chairman of the Company. The Board is aware of the said deviation but considers that the current leadership structure facilitates the execution of the business strategies, decision-making and maximises the effectiveness of the Group's operations. The Board also considers that such arrangement would not impair the balance of power and authority as general management decisions will be made collectively by the Company's executive Directors whereas significant decisions would be decided by the Board which meets regularly and on ad hoc basis to review the operation of the Group. Notwithstanding this, the Board will review its leadership structure from time to time and further amendment may be made should it considers appropriate or necessary to do so.

Change of Directors' Information under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in Directors' information since the date of the annual report of the Company for the year ended 31 March 2017 were as follows:

Mr. CHAN Kin Sang has resigned as a non-executive director of China Healthcare Enterprise Group Limited with effect from 31 July 2017 and an independent non-executive director of China Taifeng Beddings Holdings Limited with effect from 19 September 2017.

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 2017 and up to the date of this report.

Compliance with Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transaction. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the 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 Scheme"), and was early terminated and replaced by a new share option scheme approved by the shareholders on 19 August 2011 (the "2012 Scheme").

A summary of the 2012 Scheme is set out below:

At the extraordinary general meeting of the Company held on 19 August 2011, an ordinary resolution was passed by the shareholders to approve and adopt the 2012 Scheme in place of the 2003 Scheme.

The 2012 Scheme became effective for a period of 10 years commencing on 19 August 2011. Eligible participants of the 2012 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 2012 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 2012 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.

As at 30 September 2017, there was no outstanding share option under the 2012 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 recommend the payment of an interim dividend for the six months ended 30 September 2017.

Review of Financial Information by Audit Committee

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

The Audit Committee has reviewed, 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 condensed consolidated interim financial statements of the Group for the six months ended 30 September 2017.

By Order of the Board
China Fortune Financial Group Limited
XIE Zhichun
Chairman and Executive Director