Annual Report 2009

中國富強集團有限公司
China Fortune Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 290

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. SUN Tak Yan, Desmond *(Chairman)*
Mr. NG Cheuk Fan, Keith *(Managing Director)*
Mr. YEUNG Kwok Leung

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. CHOW Man Ngan

AUTHORIZED REPRESENTATIVES

Mr. YEUNG Kwok Leung
Ms. CHOW Man Ngan

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. NG Cheuk Fan, Keith
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

13/F, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Tel: (852) 3105 1863
Fax: (852) 3105 1862

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited

LEGAL ADVISERS

Hong Kong Law
Troutman Sanders
K&L Gates
Cayman Islands Law
Maples and Calder

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Rooms 1901-02, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

Tel: (852) 2849 3399
Fax: (852) 2849 3319

STOCK CODE

0290

WEBSITE

www.290.com.hk

Chairman's Statement

On behalf of the Board (the "Board") of Directors (the "Directors") of China Fortune Group Limited (the "Company"), I am pleased to report the results of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2009.

Since resumption of trading in the shares of the Company on 20 February 2009, the Group has completed acquisitions of majority stakes in a securities company and a futures company, issued new shares and convertible bonds, raising a total funding of approximately HK$70 million. The Group aims at becoming a full range financial services provider in the financial industry in the long run. The coming into effect of the new Company name in December 2008 marked a new milestone for the Company. The corporate strategy of the Company is to strengthen its existing futures brokerage, securities brokerage and margin financing business while, at the same time, to broaden its business scope through self-development and through vertical and/or horizontal acquisitions.

Given the current economic crisis, the year ahead will be a challenging one. However, the Company will continue to proactively seek potential opportunities that could enhance value to the shareholders.

I would like to take this opportunity to thank my fellow Directors and all staff members for their continuous hard work, dedication and support to the Group.

By Order of the Board

SUN Tak Yan, Desmond
Chairman

Hong Kong, 27 July 2009

Management Discussion and Analysis

RESULTS

During the year ended 31 March 2009, the total revenue for the group was approximately HK$15,562,000 (2008: approximately HK$12,355,000) and profit attributed to shareholders was approximately HK$16,224,000 (2008: loss of approximately HK$5,827,000). The profit was mainly attributable to change in fair value of investment in amount of HK$24,800,000.

MARKET OVERVIEW

As expected, the Hong Kong stock market performed poorly during the year under review. The Hong Kong stock market was adversely affected by uncertainties in major financial markets around the world resulting from US sub-prime mortgage crisis, the global liquidity crunch and the bankruptcy of Lehman Brothers. Average daily turnover of Hong Kong stock market was approximately HK$76.1 billion in the second quarter 2008 and shrank to approximately HK$44.6 billion in the first quarter 2009.

REVIEW OF OPERATIONS

Securities Broking Business

The Group focused its securities broking business on the stocks market in Hong Kong. After the completion of acquisition of 51% equity interest in a local securities company on 17 February 2009, the Group had totally two securities companies which operated independently. During the year, revenue for the Group's securities broking business and the underwriting commission as well as placing commission, which accounted for 40% of total revenue, was approximately HK$6,294,000 (2008: approximately HK$6,636,000).

Securities Financing Business

During the year, interest income generated from securities margin loan portfolio which accounted for 12% of the Group's revenue was approximately HK$1,829,000 (2008: approximately HK$1,289,000). The group had injected more internal resources into securities financing business in order to meet the demands from our customers.

The Group will continue to exercise caution in the granting of securities financing to clients, closely monitor its credit policy and perform regular reviews and assessment on the gearing level, investment portfolio and credit record of individual borrowers.

Futures Broking Business

After the completion of acquisition of 51% equity interest in a local futures company on 17 February 2009, income generated from futures broking business accounted for 16% of the Group's revenue was approximately HK$2,424,000. The management expects that the futures broking business will be the key drivers of the Group's revenue in the coming year.

Electrical Engineering Contracting Business

By recognizing the retention money on the completed contracts, income from electrical engineering contracting business which accounted for 28% of the Group's revenue was approximately HK$4,280,000 (2008: approximately HK$2,809,000). As the Group is envisioned to become a renowned full range financial services provider in the financial industry in the long run, no new electrical engineering contract signed during the year.

Electrical Materials And Component Trading Business

Income from electrical materials and component trading business accounted for 4% of the Group's turnover was approximately HK$722,000 (2008: approximately HK$1,621,000).

PROSPECTS

Turned to the second quarter of 2009, the average daily turnover of Hong Kong stock market was approximately HK$71.3 billion and the market sentiment seemed slightly recovered. Though a global economic recession is expected to continue in 2009, we remain hopeful that the PRC's economy will retain its resilience. We believe Hong Kong will be able to withstand the challenges ahead on the back of its closer integration with the mainland and the considerable hidden wealth in the economy.

The Group will focus on further opportunities to invest in financial service provider in China. Pursuant to the announcement of the Company on 27 May 2009, the Group will acquire 49% equity interest in a company engaged in brokerage services for dealing in futures contracts in PRC.

CAPITAL STRUCTURE

Pursuant to an engagement letter dated 15 April 2008 entered into between the Company and Veda Capital Limited ("Veda"), it was agreed that part of the professional fees charged by Veda of HK$1,200,000 were settled by the issue of remuneration shares upon approval by the Stock Exchange on the resumption of trading in the shares of the Company. As all conditions for the issuance of the remuneration shares had been fulfilled on 17 February 2009, 12,000,000 shares of HK$0.1 each had been issued to Veda on the same day.

On 19 February 2009, the Company allotted and issued 80,000,000 shares of HK$0.1 each to independent third parties for cash at a price of HK$0.25 per share, and a net proceed of approximately HK$19,300,000 was raised by the Company.

Pursuant to a conditional sale and purchase agreement (as amended) entered into between a wholly owned subsidiary of the Company (being the purchaser) and the vendor on 27 February 2008, the vendor agreed to sell or procure the sale to the purchaser and the purchaser agreed to purchase 51% issued share capital of Excalibur Securities Limited at a consideration of HK$20,000,000. The consideration was settled by way of the Company issuing the zero coupon convertible notes due three years from the date of issue for a principal amount of HK$20,000,000 in accordance with the terms as set out in the conditional sale and purchase agreement upon completion. All conditions as set out in the conditional sale and purchase agreement had been fulfilled and completion of acquisition took place on 17 February 2009. On the same day, the vendor converted the convertible notes in full and 200,000,000 shares of HK$0.1 each of the Company were duly issued.

As at 31 March 2009, the total issued share capital of the Company stood at HK$75,607,000, comprising 756,070,000 shares of HK$0.1 each.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The financial position of the Group remained healthy during the year under review. At 31 March 2009, the Group's cash balance totaled approximately HK$22,138,000, compared with approximately HK$15,390,000 as at 31 March 2008. Cash held on behalf of customers stood at approximately HK$60,211,000, increased from approximately HK$11,140,000 as at 31 March 2008. The current ratio was healthy at 2.73 times.

As at 31 March 2009, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 21.98% (2008: 152.91%). The Group had issued zero coupon convertible notes in the aggregate principal amount of HK$50 million due in three years on 19 February 2009. As the total shareholders' equity increased by issuing new shares during the year, the gearing ratio dropped.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year, the Group had completed acquisition of 51% equity interest in Excalibur Securities Limited ("ESL") at a consideration HK$20,000,000. The consideration had been settled by issuing a zero coupon convertible note of the Company due three years from the date of issue for a principal amount of HK$20,000,000. ESL is a corporation licensed to carry on type 1 (dealing in securities) regulated activity under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

During the year, the Group had also completed acquisition of 51% equity interest in Excalibur Futures Limited ("EFL") at a consideration HK$10,200,000. The consideration had been settled by issuing a promissory note in the amount of HK$10,200,000 without interest by the Company. EFL is a corporation licensed to carry on type 2 (dealing in futures contract) regulated activity under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CONTINGENT LIABILITIES

As at 31 March 2009, the Group does not have any material contingent liability.

CHARGE ON THE GROUP'S ASSET

During the year, the bank deposits previously pledged to bank for securing certain bank facilities had been released. As at 31 March 2009, the Group had not charged or pledged any of its assets.

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 year, the Group mainly uses Hong Kong dollars to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

HUMAN RESOURCES

Employees' remuneration are fixed and determined with reference to the market remuneration.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. SUN Tak Yan, Desmond

Mr. SUN Tak Yan, Desmond, aged 61, was appointed as an Executive Director of the Company on 11 January 2007. On 4 December 2007, he was further appointed Chairman of the Company. Mr. Sun holds a Bachelor Degree of Economics from University of Tasmania. He has extensive experience in strategic planning and corporate development, including initial public offerings, mergers and acquisitions of listed companies in Hong Kong and in specialized land developments in Hong Kong and in China.

Mr. NG Cheuk Fan, Keith

Mr. NG Cheuk Fan, Keith, aged 48, was appointed as an Executive Director of the Company on 4 April 2007 and was further appointed as Managing Director on 4 December 2007. Mr. Ng graduated from the University of Alberta, Canada with a Bachelor degree in commerce, majoring in accounting. He also received a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng is a member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive accounting and management experience.

Mr. YEUNG Kwok Leung

Mr. YEUNG Kwok Leung, aged 35, joined the Group in October 2005 and was appointed the Qualified Accountant of the Group on 2 November 2005. On 23 December 2005, he was appointed as an Executive Director of the Company. Mr. Yeung holds a Bachelor degree in Accountancy. He has over 11 years' experience in auditing, financial controlling, accounting, corporate development as well as business strategies. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung is responsible for the financial and accounting functions of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Kay Kwok

Mr. NG Kay Kwok, aged 47, was appointed as an Independent Non-Executive Director of the Company on 14 September 2007. Mr. Ng graduated from The Australian National University with a Bachelor's degree in Economics. He is an associate member of CPA Australia. He has worked for a number of companies listed in Hong Kong and has extensive experience in accounting and financial management.

Mr. LAM Ka Wai, Graham

Mr. LAM Ka Wai, Graham, aged 41, was appointed as an Independent Non-Executive Director of the Company on 14 September 2007. Mr. Lam graduated from the University of Southampton, England with a Bachelor of Science degree in Accounting and Statistics. He is a member of Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lam is currently a Managing Director & Head of Corporate Finance of an investment bank and has around 15 years experience in investment banking as well as around 4 years experience in accounting and auditing.

Mr. TAM B Ray Billy

Mr. TAM B Ray Billy, aged 41, was appointed as an Independent Non-Executive Director of the Company on 4 December 2007. Mr. Tam has been a practicing solicitor in Hong Kong over 15 years. He is currently a partner of Messrs. Ho & Tam. Mr. Tam holds a Bachelor of Laws degree from King's College London University and Tsinghua University, and a Master of Laws degree from Hong Kong University.

SENIOR MANAGEMENT

Mr. POON Kwok Wah, Allan

Mr. POON Kwok Wah, Allan, aged 48, joined Excalibur group in September 2000. He is the Managing Director of Excalibur Securities Limited and Excalibur Futures Limited and is responsible for overseeing the general operation, strategic and business development of Excalibur group. Mr. Poon holds a Bachelor Degree of Accounting and Computer Science from the University of Kent at Canterbury, UK. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of finance, business development and accounting experience.

Mr. CHANG Chih Ping, Tony

Mr. CHANG Chih Ping, Tony, aged 62, rejoined the Group in December 2006. He is a Dealing Director of the securities section in the Group. Mr. Chang has over 24 years of experience in investment services business and has taken up directorship with various securities companies. He is a member of The Institute of Internal Auditors (U.K.) and a former member of Comex, New York. He is responsible for overseeing the securities trading business.

Mr. KWOK Wai Shun

Mr. KWOK Wai Shun, aged 37, joined the Group in March 2005. He is one of the Dealing Directors of Fortune (HK) Securities Limited. Mr. Kwok holds a Bachelor Degree of Arts from the University of Toronto and has over nine years experience in investment services business. He is responsible for overseeing the securities trading business.

Mr. TONG Ching Po

Mr. TONG Ching Po, aged 61, joined the Group in 2007. He is another Dealing Director of Fortune (HK) Securities Limited and is responsible for overseeing the securities trading business of the Group. Mr. Tong has over 30 years experience in financial services. Before joining the Group, he worked for several securities firms and has extensive experience in this field.

Ms. CHOW Man Ngan

Ms. CHOW Man Ngan, aged 34, joined the Group in December 2003. She is a member of The Hong Kong Institute of Chartered Secretaries and has over 10 years experience in corporate strategic planning, secretarial services as well as compliance aspect. She is responsible for overseeing all corporate secretarial matters in the Group.

REPORT OF DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2009 of the Company and its subsidiaries.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 50 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 28 of the consolidated annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2009 (2008: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 39 to the consolidated financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Movements in the reserves of the Company during the year are set out on page 31 of this Annual Report.

DISTRIBUTABLE RESERVES

At 31 March 2008 and 31 March 2009, the Company had no reserves available for distribution.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 104 of this Annual Report. This summary does not form part of the audited financial statements.

SHARE OPTION SCHEME

Details of the share option schemes of the Company are set out in note 41 to the consolidated financial statements.

As at 31 March 2009, the number of shares in respect of which options had been granted and remaining outstanding under the share option schemes of the Company was 11,400,000 (2008: 13,700,000), representing approximately 1.51% (2008: approximately 2.95%) of the shares of the Company in issue at that date.

A summary of the movements in the Company's share options during the year is as follows:

Option type	Outstanding at 1 April 2008	Lapsed during the year	Outstanding at 31 March 2009
2004B	200,000	200,000	–
2004C	2,100,000	2,100,000	–
2006A	11,400,000	–	11,400,000
	13,700,000	2,300,000	11,400,000

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Closing price immediately before/on the date of grant HK$	Exercise price per share HK$
2006A	2 August 2005	2 August 2005 – 1 August 2010	0.340	0.3520

Options which lapsed or are cancelled have been taken out of the register of outstanding options maintained by the Company.

Directors' Report

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. SUN Tak Yan, Desmond *(Chairman)*
Mr. NG Cheuk Fan, Keith *(Managing Director)*
Mr. YEUNG Kwok Leung

Independent Non-Executive Directors

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

In accordance with the articles of association of the Company, Mr. NG Cheuk Fan, Keith, Mr. NG Kay Kwok and Mr. YEUNG Kwok Leung will retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election. Each of Mr. NG Cheuk Fan, Keith, Mr. NG Kay Kwok and Mr. YEUNG Kwok Leung has confirmed that they are not aware of any matters which should be brought to the attention of the shareholders of the Company.

The independent non-executive Directors are subject to retirement by rotation. The Company has received from each independent non-executive Director a confirmation of his independence pursuant to the new independence guidelines set out in Rule 3.13 of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers the independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biography details of the Directors and the senior management of the Group are set out on pages 8 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All the Directors proposed for re-election at the forthcoming annual general meeting have entered into service contracts with the Company for specific terms. Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

During the year, the Company had issued (i) HK$50 million zero coupon convertible notes with conversion price of HK$0.10 each due in February 2012; (ii) HK$20 million zero coupon convertible note with conversion price of HK$0.10 each to Mr. Lao Chio Kuan ("Mr. Lao") for the acquisition of 51% equity interest in Excalibur Securities Limited; and (iii) 12 million new Shares as remuneration shares to Veda Capital Ltd. ("Veda") and remuneration warrants which entitle Veda to subscribe for 12 million new Shares at the exercise price of HK$0.10 per Share expiring in February 2012.

Mr. Lao had converted the convertible note in full and a total of 200 million Shares were issued to Mr. Lao.

Other than (i) and (iii) above and those disclosed under "Share Option Scheme" in this report which remain outstanding, the Company had no other outstanding convertible securities, options, warrants or similar rights as at 31 March 2009 and there has been no other issue or exercise of any convertible securities, options, warrants or similar rights during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, save as certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors of the Company and/or any of their respective associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules or under Division 7 and 8 of Part XV of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than options granted under the Company's share option scheme mentioned above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors and the chief executive, their respective spouse or minor children (natural or adopted) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate under an arrangement to which the Company, any of its subsidiaries, its holding company, or subsidiaries of the holding company (i.e. fellow subsidiaries); is a party, and the exercise of such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company is interested in any business, which compete or is likely to compete either directly or indirectly, with business of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2009, the register of substantial shareholders' interests in shares and short positions maintained under section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more held in the Shares and underlying shares of the Company.

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

Name of Shareholder(s)	Capacity	Shares	Number of underlying shares	Total number of Shares and underlying shares	Approximate percentage to the issued share capital of the Company as at 31 March 2009
Good Treasure Holdings Ltd *(Note 1)*	Beneficial owner	108,000,000	9,000,000	117,000,000	15.47
Li Chun Sing, Andrew *(Note 1)*	Interest of controlled corporation	108,000,000	9,000,000	117,000,000	15.47
Pioneer (China) Limited *(Note 2)*	Beneficial owner	–	181,250,000	181,250,000	23.97
Mr. Lao Chio Kuan *(Note 2)*	Beneficial owner	200,000,000	181,250,000	381,250,000	50.43
Kademan Ltd *(Note 2)*	Interest of controlled corporation	–	181,250,000	181,250,000	23.97
Chan Hoel Len *(Note 2)*	Interest of controlled corporation	–	181,250,000	181,250,000	23.97
Top Good Holdings Limited *(Note 3)*	Beneficial owner	53,738,000	115,000,000	168,738,000	22.32
PME Group Limited *(Note 3)*	Interest of controlled corporation	53,738,000	115,000,000	168,738,000	22.32
Ample Wealth Group Limited *(Note 4)*	Beneficial owner	–	365,000,000	365,000,000	48.28
Chan Wan Ying Debby *(Note 4)*	Interest of controlled corporation	–	365,000,000	365,000,000	48.28

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Name of Shareholder(s)	Capacity	Shares	Number of underlying shares	Total number of Shares and underlying shares	Approximate percentage to the issued share capital of the Company as at 31 March 2009
Right Source Group Limited *(Note 5)*	Beneficial owner	–	125,000,000	125,000,000	16.53
Gainsay Holdings Limited *(Note 5)*	Interest of controlled corporation	–	125,000,000	125,000,000	16.53
Long Ding Yun *(Note 5)*	Interest of controlled corporation	–	125,000,000	125,000,000	16.53

Notes:

(1) Good Treasure Holdings Ltd ("Good Treasure") is a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Mr. Li Chun Sing, Andrew.

In addition to the 108,000,000 Shares (representing approximately 14.28% of the issued share capital of the Company as at 31 March 2009), Good Treasure has also been granted a call option to acquire the entire 9,000,000 Shares (representing approximately1.19% of the issued share capital of the Company as at 31 March 2009) at an exercise price of HK$1 in total pursuant to a Deed of Assignment entered into between Good Treasure, Highworth Venture Limited and Billion Boom Investments Limited on 5 November 2007. The share certificates in respect of the 9,000,000 Shares were reported to have been lost and the replacement certificates were being applied for.

In all, as at 31 March 2009, Good Treasure is deemed to be interested in an aggregate of 117,000,000 Shares (representing approximately 15.47% of the issued share capital of the Company as at 31 March 2009) under the SFO.

(2) As mentioned in the announcement of the Company dated 16 March 2009, a wholly-owned subsidiary of the Company as purchaser (the "Purchaser"), entered into two conditional sales and purchase agreements on 6 March 2009 with Pioneer (China) Limited as vendor (the "Vendor").

One of these agreements is for the sale and purchase of the remaining 49% equity interest in Excalibur Securities Limited (the "ESL Agreement") at a consideration of HK$19.2 million which shall be satisfied by way of issuing zero coupon convertible notes due three years from the date of issue for a principal amount of HK$19.2 million (the "ESL Convertible Notes") upon completion, and the other one is for the sale and purchase of the remaining 49% equity interest in Excalibur Futures Limited (the "EFL Agreement") at a consideration of HK$9.8 million which shall be satisfied by way of issuing zero coupon convertible notes due three years from the date of issue for a principal amount of HK$9.8 million (the "EFL Convertible Notes") upon completion.

Pursuant to the ESL Agreement and the EFL Agreement, the Purchaser procures the Company to issue the ESL Convertible Notes and the EFL Convertible Notes upon completion of the aforesaid acquisitions to the Vendor respectively.

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Notes: (Continued)

Pioneer (China) Limited is owned as to 50.92% by Mr. Lao Chio Kuan, who does not hold any role/position in the Company save for being a Shareholder. Mr. Lao is also the registered owner of 200,000,000 Shares (representing approximately 26.45% of the issued share capital of the Company as at 31 March 2009).

The balance of 49.08% equity interest in Pioneer (China) Limited is owned by Kademan Limited, a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Mr. Chan Hoel Len.

(3) As at 31 March 2009. Top Good Holdings Limited, a wholly-owned subsidiary of PME Group Limited, a company whose shares are listed on the main board of the Stock Exchange, is the registered beneficial owner of 53,738,000 Shares (representing approximately 7.11% of the issued share capital of the Company as at 31 March 2009) and owns as to 115,000,000 other convertible notes in the principal amount of HK$11,500,000 with zero coupon rate and conversion price of HK$0.10 due in February 2012.

(4) One of the subsidiaries of the Company as purchaser (the "Purchaser") and Ample Wealth Group Limited ("Ample Wealth") as vendor entered into a conditional sale and purchase agreement on 6 March 2009 (the "AMS Agreement") for the sale and purchase of the entire issued share capital of Wealthy Aim Group Limited ("Wealthy Aim") which owns 70% equity interest in AMS Capital Limited ("AMS Capital") after a shareholding reorganization of AMS Capital, for a consideration of HK$58.5 million. The consideration shall be satisfied by an initial deposit of HK$100,000 and the remaining balance by way of issuing the zero coupon convertible notes due three years from the date of issue for a principal amount of HK$58.4 million ("AMS Convertible Notes") subject to certain limitation on issuance and conversion as set out in the AMS Agreement.

Pursuant to the AMS Agreement, the Purchaser procures the Company to issue the AMS Convertible Bonds to Ample Wealth upon completion of the acquisition of entire issued capital of Wealthy Aim.

Ample Wealth is a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Ms. Chan Wan Ying, Debby.

(5) Right Source Group Limited ("Right Source"), a company incorporated in Hong Kong with limited liability, owns 125,000,000 other convertible note in the principal amount of HK$12,500,000 with zero coupon rate and conversion price of HK$0.10 due in February 2012.

Right Source is wholly owned by Gainsay Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which in turn is beneficially and wholly owned by Mr. Long Ding Yun.

Save as disclosed herein and to the knowledge of the Directors, as at 31 March 2009, no person had an interest or a short position in the Shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or no person was, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 36.44% of the turnover of the Group and the largest customer accounted for about 15.67% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 90.70% of its purchases for the year. Purchases from the largest supplier accounted for about 37.88% of its purchases.

None of the Directors, their respective associates, or any shareholders (which to the knowledge of the Directors interested in 5% or more of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 March 2009.

RETIREMENT BENEFITS SCHEMES

The Group strictly complies with the Mandatory Provident Fund Schemes Ordinance in making mandatory contributions for its staff.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities during the year.

POST BALANCE SHEET EVENTS

Details of significant events which occurred after the balance sheet date are set out in note 49 to the consolidated financial statements.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has, throughout the year ended 31 March 2009, complied with most of the applicable code provisions and principles of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the Corporate Governance Report of the Company was set out on page 20 to 25 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

LITIGATION AND CONTINGENT LIABILITIES

As at 31 March 2009, one of the Company's subsidiary had claimed for rental deposit in the sum of HK$130,000 and was counterclaimed by the landlord in the sum of approximately HK$940,000 for alterations made, chattels removed and loss of rental. The Company is currently seeking legal advice for further course of action. Other than those disclosed above, there were no material contingent liabilities in respect of outstanding litigation or legal proceeding that need to be disclosed.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises of three independent non-executive Directors of the Company, namely, Mr. NG Kay Kwok, Mr. LAM Ka Wai, Graham and Mr. TAM B Ray, Billy. They have reviewed with management the accounting policies and practices adopted by the Group and discussed audit, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 March 2009.

AUDITOR

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed as auditor of the Company on 1 June 2009 to fill the casual vacancy created by the resignation of Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) on the same day.

A resolution for the appointment of SHINEWING as the auditor of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

NG Cheuk Fan, Keith
Managing Director

Hong Kong, 27 July 2009

Corporate Governance Report

The Company recognizes that good governance standards maintained throughout the Group serves as an effective risk management mechanism for the Company. The Board of Directors (the "Board") of the Company is committed towards ensuring high level corporate governance standards. Such commitment emphasizes transparency, accountability and independence, responsibility and fairness.

In the opinion of the Board, the Company has complied with most of the applicable code provisions and principles of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules throughout the year under review.

1. CORPORATE MANAGEMENT

i) Board of Directors

Composition

As at the date of this report, the Board is comprised of 6 members, including 3 executive Directors and 3 independent non-executive Directors. Their biographical details are set out on pages 8 to 9 of this report.

The executive Directors are responsible for managing the Group's business, including the business development, corporate strategies and company policies.

The independent non-executive Directors serve an important function of advising the management on strategic development and ensuring that the Board maintains high standards of financial and other mandatory reporting standards as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. For the year ended 31 March 2009, the number of independent non-executive Directors at all times exceeded one-third of the Board membership.

Pursuant to the Listing Rules, the Company has received a written confirmation from each independent non-executive Director of his independence to the Company.

All the existing independent non-executive Directors of the Company are appointed for a specific term. Furthermore, pursuant to the Articles of Association of the Company, at each annual general meeting, one-third of the Directors (both executive and independent non-executive) are subject to retirement by rotation, provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The Board is comprised of professionally qualified and diversified individuals.

Board Process

The Board meets regularly throughout the year to discuss the overall strategy as well as the operational and financial performance of the Group. During the period from 1 April 2008 up to the date of this report, the Board held eight meetings. Individual attendance records are set out below. Four regular Board meetings were held at approximately quarterly intervals during the period under review. At least 14 days' notice has been given for such regular Board meetings. Reasonable notices have been given to all Directors generally prior to meetings, except in cases of emergency.

Directors who are considered to be in a position of having a conflict of interest or material interests in the proposed transactions or issues to be discussed are not counted in the quorum of meeting and are to abstain from voting on the relevant resolutions. He has to declare his interests therein in accordance with the articles of association of the Company.

The Company Secretary maintains the minutes of the Board meetings for inspection by Directors.

All Directors have access to the services of the Company Secretary who regularly updates the Board on corporate governance and regulatory matters. Any Director, Audit Committee member, Nomination Committee member and Remuneration Committee member of the Company may take independent professional advice at the expense of the Company should they so wish.

Board and Board Committee attendance

The following table indicates the attendance of Directors, either in person or through other electronic means of communication, to the number of Board and Committee meetings held during the period from 1 April 2008 up to the date of this report:

	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Nomination Committee Meetings
Executive Directors				
Mr. SUN Tak Yan Desmond	8/8	N/A	N/A	N/A
Mr. NG Cheuk Fan Keith	8/8	1/1	N/A	1/1
Mr. YEUNG Kwok Leung	8/8	N/A	N/A	N/A
Independent non-executive Directors				
Mr. NG Kay Kwok	8/8	1/1	5/5	1/1
Mr. LAM Ka Wai Graham	8/8	1/1	5/5	1/1
Mr. TAM B Ray Billy	8/8	1/1	5/5	1/1

Full minutes of the Audit Committee meetings, Nomination Committee meetings and Remuneration Committee meetings are kept by the Company Secretary. Draft and final version of the minutes are sent to all Committee members for comments, review and approval.

Directors' Duties

The Board is charged with leadership and supervision of the Group's affairs and is collectively responsible for promoting the success of the Group. Each Director has a duty to act in good faith and in the best interests of the Company as a whole.

Matters that require decisions by the Board normally include, but not limited to, the overall group strategies, major acquisitions and disposals, annual budgets, annual and interim results, and other significant operational and financial matters.

All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations.

The Board acknowledges its responsibility to prepare the financial statements and have them audited. The Company has adopted the generally accepted accounting standards in Hong Kong in preparing financial statements. Reasonable and prudent judgment and estimates have been made. The Group announces its financial results on a timely basis.

Conduct on Share Dealings

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") based on the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The terms of Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined therein. Specific enquiry has been made on all Directors of the Company who have confirmed in writing of their compliance with the required standards set out in the Code of Conduct during the year under review.

ii) Chairman and Chief Executive Officer

On 4 December 2007, Mr. SUN Tak Yan, Desmond and Mr. NG Cheuk Fan, Keith were appointed as Chairman and the Managing Director, respectively. The Company does not have a designated position of "Chief Executive Officer". The daily operation and management of the Company is monitored by the executive Directors. The Board takes the review that the Managing Director fulfilled the same function as Chief Executive Officer.

The key role of the Chairman is to provide leadership to the Board. In performing his duties, the Chairman shall ensure that the Board functions effectively in the discharge of its responsibilities. The Chairman also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Company and the Group.

The duty of Managing Director is to work closely with Audit Committee, the Nomination Committee as well as the Remuneration Committee of the Company and to ensure that all key and appropriate issues are discussed by the Board in a timely and constructive manner. He is responsible for general management of the Group. In addition, he is responsible to work closely with other executive Directors to ensure management strategies, plans and performance of the Group are appropriately represented to the Board and to provide guidance to the Board on major issues. The division of responsibilities between the Chairman and the Chief Executive Officer (Managing Director) has been clearly established and set out in writing.

iii) Board Committees

The Board has established an Audit Committee, a Nomination Committee and a Remuneration Committee with defined terms of reference. All committees are chaired by independent non-executive Directors.

(a) Audit Committee

The Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises of three independent non-executive Directors of the Company.

The Audit Committee has reviewed the audit findings, the accounting principles and practices adopted by the Group, the listing rules and statutory compliance, and has discussed auditing, internal control, risk management and financial reporting matters (including the interim and annual financial statements) with the senior management and the auditor before recommending them to the Board for approval.

The financial statements for the year ended 31 March 2009 has been reviewed by the Audit Committee.

(b) Remuneration Committee

The Company established a Remuneration Committee responsible for reviewing and determining the remuneration policy and packages of the Directors and management executives. The Remuneration Committee comprises three independent non-executive Directors and the Managing Director. The terms of reference of the Remuneration Committee follow the Code. No Director is involved in deciding his own remuneration.

(c) Nomination Committee

The Company established a Nomination Committee responsible for reviewing the structure, size and composition of the Board (including the skill, knowledge and experience) on a regular basis, making recommendations to the Board regarding any proposed changes, identifying individuals suitably qualified to become Board members as well as selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

iv) External Auditor

The analysis of the auditor's remuneration for the financial period under review is presented as follows:

	Fee amount
	HK$
Audit Services	500,000
Non-audit services	320,000
	820,000

The audit services include the audit for the annual financial statements of the Group.

The Statement of Auditor about their reporting responsibilities on the consolidated financial statements of the Group is set out on pages 26 to 27 of this Annual Report.

2. INTERNAL CONTROL

The Board recognizes the overall responsibility for the establishment, maintenance, and review of a system of internal control that provides reasonable assurance of the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, the safeguarding of assets and the compliance with laws and regulations. The system of internal control is designed to manage rather than eliminate all risks of failure while its goal is to provide reasonable, but not absolute assurance regarding the achievement of organisational objectives.

3. INVESTOR RELATIONS AND COMMUNICATIONS

The Company continues to pursue a proactive policy of promoting investor relations and communication by maintaining regular meetings with institutional shareholders, fund managers and analysts through different means including meetings, presentations and correspondence. In an effort to enhance communications with shareholders and investors, the Company maintains a website (www.290.com.hk) to disseminate information relating to the latest business developments and all corporate announcements.

The Company regards the annual general meeting (the "AGM") of the Company as an important event as it provides an opportunity for direct communication between the Board and its shareholders. All shareholders of the Company are given a minimum of 21 days' notice of the date and venue of the AGM at which time the Directors, external auditor and Committee members are available to answer questions on the business. A circular setting out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions will be sent to shareholders of the Company before the AGM. The Chairman will explain the procedures for demanding and conducting a poll again at the beginning at each of the AGMs and reveals how many proxies for and against have been filed in respect of each resolution. The Company supports the Code's principle to encourage shareholder participation.

4. VOTING BY POLL

The Board, according to the new Listing Rules, will conduct voting at the forthcoming AGM by poll. The procedures for demanding a poll by shareholders were incorporated in all circulars and will be explained during the proceeding of meetings. Detailed procedures for conducting a poll will be explained. The result of voting will be declared at the meeting, and poll results will be published on the business day following the shareholders' meetings and posted on the websites of the Stock Exchange and the Company.

In line with certain changes to the Listing Rules, the Board proposed to amend the Company's Articles of Association at the forthcoming AGM to the effect that it is in alliance with the minimum notice period for various general meetings as may be specified in the Listing Rules from time to time and any vote of shareholders at a general meeting will be taken by poll. Details are set out in full in the notice of the forthcoming AGM.

The Company will continue to enhance the corporate governance standards throughout the Group and ensure further standards be put in place by reference to the recommended best practices whenever suitable and appropriate.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF CHINA FORTUNE GROUP LIMITED
(FORMERLY KNOWN AS CHINA CONSERVATIONAL POWER HOLDINGS LIMITED)
中國富強集團有限公司 (前稱:中國環保電力控股有限公司)
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Fortune Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 103 which comprise the consolidated balance sheet as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's profits and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong
27 July 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	7	**15,562**	12,355
Cost of sales on securities and futures brokerage and margin financing		**(3,590)**	(3,144)
Cost of sales on engineering contracting work		**(1,081)**	(354)
Cost of sales on trading of electrical materials		**(691)**	(1,446)
Other revenue	9	**2,386**	1,755
Depreciation on property, plant and equipment		**(800)**	(608)
Salaries and allowances		**(8,514)**	(8,595)
Reversal of impairment losses on investment deposits		**8,500**	8,000
Change in fair value of financial assets designated as fair value through profit or loss		**24,800**	–
Decrease in fair value of investments held for trading		**(2,313)**	(32)
Discount on acquisitions of subsidiaries	42	**863**	–
Gain (loss) on disposal of subsidiaries	43	**61**	(262)
Gain on deemed disposal of partial interests in a subsidiary	44	**17**	–
Other operating and administrative expenses		**(15,210)**	(9,403)
Finance costs	10	**(4,162)**	(4,093)
Profit (loss) before taxation		**15,828**	(5,827)
Taxation	11	**(115)**	–
Profit (loss) for the year	12	**15,713**	(5,827)
Attributable to:			
Equity holders of the Company		**16,224**	(5,827)
Minority interests		**(511)**	–
		15,713	(5,827)
Dividend	14	**–**	–
Earnings (loss) per share	15		
Basic		**3.23 cents**	(1.26 cents)
Diluted		**3.19 cents**	N/A

Consolidated Balance Sheet

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**4,792**	425
Intangible assets	17	**980**	–
Other non-current assets	18	**2,262**	240
Interests in associates	19	**–**	12
Investment in a jointly controlled entity	20	**–**	–
Deferred tax assets	37	**61**	–
Goodwill	21	**2,554**	–
		10,649	677
Current assets			
Investments held for trading	22	**442**	2,784
Financial assets designated at fair value through profit or loss	23	**–**	36,000
Trade receivables	24	**90,320**	10,679
Other receivables, deposits and prepayments	25	**15,638**	515
Loan receivables	26	**–**	–
Investment deposits	27	**42,407**	–
Amount due from a minority shareholder of a subsidiary	28	**125**	–
Amount due from a related company	29	**–**	13
Amount due from a director	30	**776**	426
Pledged bank deposits	31	**–**	2,196
Bank balances and cash – trust	31	**60,211**	11,140
Bank balances and cash – general	31	**22,138**	15,390
		232,057	79,143
Current liabilities			
Bank overdrafts – secured	31	**–**	1,963
Other borrowings – unsecured	32	**–**	29,735
Trade payables, other payables and accruals	33	**83,139**	25,469
Amount due to a related company	34	**–**	890
Amount due to a director	34	**10**	–
Obligations under finance leases	35	**–**	290
Tax payables		**850**	258
Provisions	36	**940**	–
		84,939	58,605
Net current assets		**147,118**	20,538
		157,767	21,215

Consolidated Balance Sheet

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	39	**75,607**	46,407
Reserves		**29,313**	(25,371)
Equity attributable to equity holders of the Company		**104,920**	21,036
Minority interests		**29,781**	–
Total equity		**134,701**	21,036
Non-current liabilities			
Obligations under finance leases	35	**–**	179
Convertible loan notes	38	**23,066**	–
		23,066	179
		157,767	21,215

The consolidated financial statements on pages 28 to 103 were approved and authorised for issue by the board of directors on 27 July 2009 and are signed on its behalf by:

NG Cheuk Fan, Keith	**YEUNG Kwok Leung**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year Ended 31 March 2009

	Attributable to equity holders of the Company										
	Share capital	**Share premium**	**Share options reserve**	**Share warrants reserve**	**Convertible loan notes equity reserve**	**Special reserve**	**Capital reserve**	**Accumulated losses**	**Sub-total**	**Minority interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	46,407	233,184	1,208	–	–	13,524	1,863	(269,323)	26,863	–	26,863
Loss for the year and total recognised income and expenses for the year	–	–	–	–	–	–	–	(5,827)	(5,827)	–	(5,827)
At 31 March 2008 and 1 April 2008	46,407	233,184	1,208	–	–	13,524	1,863	(275,150)	21,036	–	21,036
Profit (loss) for the year and total recognised income and expenses for the year	–	–	–	–	–	–	–	16,224	16,224	(511)	15,713
Issue of new shares	8,000	12,000	–	–	–	–	–	–	20,000	–	20,000
Transaction costs attributable to issue of new shares	–	(550)	–	–	–	–	–	–	(550)	–	(550)
Recognition of equity component of convertible loan notes	–	–	–	–	32,250	–	–	–	32,250	–	32,250
Conversion of convertible loan notes	20,000	–	–	–	(5,792)	–	–	–	14,208	–	14,208
Acquisitions of subsidiaries (Note 42)	–	–	–	–	–	–	–	–	–	30,059	30,059
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	250	250
Deemed disposal of partial interests in a subsidiary	–	–	–	–	–	–	–	–	–	(17)	(17)
Recognition of equity-settled share based transaction	1,200	–	–	552	–	–	–	–	1,752	–	1,752
At 31 March 2009	75,607	244,634	1,208	552	26,458	13,524	1,863	(258,926)	104,920	29,781	134,701

Consolidated Cash Flow Statement

For the year Ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit (loss) before taxation	**15,828**	(5,827)
Adjustments for:		
Finance costs	**4,162**	4,093
Decrease in fair value of investments held for trading	**2,313**	32
Equity-settled share based payment	**1,752**	–
Depreciation of property, plant and equipment	**800**	608
Impairment losses recognised (reversed) in respect of trade receivables	**66**	(199)
Impairment losses recognised in respect of amount due from a related company	**13**	–
Impairment losses recognised in respect of amount due from an associate	**12**	–
Impairment losses recognised (reversed) in respect of other receivables	**108**	(500)
Reversal of impairment loss on investment deposits	**(8,500)**	(8,000)
Bad debts written off	**–**	34
Gain on disposal of investments held for trading	**(1)**	–
Gain on deemed disposal of partial interests in a subsidiary	**(17)**	–
(Gain) loss on disposals of subsidiaries	**(61)**	262
Gain on disposals property, plant and equipment	**(29)**	–
Write back of long outstanding trade payables, other payables and accruals	**(95)**	(571)
Interest income	**(124)**	(331)
Write back of long outstanding amount due to a related company	**(890)**	–
Discount on acquisitions of subsidiaries	**(863)**	–
Change in fair value of financial assets designated as fair value through profit or loss	**(24,800)**	–
Operating cash flow before movements in working capital	**(10,326)**	(10,399)
Decrease (increase) in other non-current assets	**10**	(35)
Decrease in inventories	**–**	213
Increase in trade receivables	**(41,130)**	(634)
(Increase) decrease in other receivables, deposits and prepayments	**(3,114)**	2,764
Increase in amount due from a director	**(350)**	(426)
Increase in bank balances and cash – trust	**(13,642)**	(8,401)
Increase in trade payable, other payables and accruals	**13,753**	9,184
Increase in provisions	**940**	–
Cash used in operations	**(53,859)**	(7,734)
Income taxes paid	**(27)**	–
Net cash used in operating activities	**(53,886)**	(7,734)

Consolidated Cash Flow Statement

For the year Ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Investing activities		
Proceeds from disposal of financial assets designated at fair value though profit or loss	**60,800**	–
Decrease (increase) in pledged bank deposits	**2,196**	(62)
Net cash inflow in respect of the acquisitions of subsidiaries (Note 42)	**1,711**	–
Proceeds from disposal of property, plant and equipment	**250**	–
Interest received	**124**	331
Proceeds from disposal of investments held for trading	**30**	–
Increased in investment deposits	**(33,907)**	–
Purchase of property, plant and equipment	**(3,349)**	(911)
Advanced to a minority shareholder of a subsidiary	**(125)**	–
Net cash (outflow) inflow in respect of the disposal of subsidiaries (Note 43)	**(1)**	1,135
Repayment from a related company	**–**	26
Refunded of investment deposits	**–**	8,000
Decrease in loans payable	**–**	(687)
Net cash from investing activities	**27,729**	7,832
Financing activities		
Proceeds from issue of convertible loan notes	**50,000**	–
Proceeds from issue of new shares	**20,000**	–
Capital contribution from a minority shareholder of a subsidiary	**250**	–
Advanced from (repayment to) a director	**10**	(529)
Repayment of borrowings	**(29,735)**	(6,802)
Interest paid	**(3,335)**	(4,059)
Payment for convertible loan notes issue expenses	**(1,250)**	–
Payment for share issue expenses	**(550)**	–
Repayment of obligations under finance leases	**(469)**	(290)
Interest paid on obligations under finance leases	**(53)**	(34)
New borrowings raised	**–**	22,424
Net cash from financing activities	**34,868**	10,710
Net increase in cash and cash equivalents	**8,711**	10,808
Cash and cash equivalents at beginning of year	**13,427**	2,619
	22,138	13,427
Cash and cash equivalents at end of year, represented by:		
Bank balances and cash – general	**22,138**	15,390
Bank overdrafts	**–**	(1,963)
	22,138	13,427

1. GENERAL

China Fortune Group Limited (the "Company") was incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading of the Company's shares has been suspended since 29 September 2005. After the fulfillment of all the resumption conditions and approved by the Listing Committee of the Stock Exchange, the Company had resumed its trading on 20 February 2009. Details of the resumption conditions and trading resumption were set out in the Company's announcement dated 10 December 2008.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are securities, futures and insurance brokerage, margin financing, electrical engineering contracting and trading of electrical goods. There was no significant change in the nature of the Group's principal activities during the year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)– Interpretation ("INT") 12	Service Concession Arrangements
HK(IFRIC)– INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instrument Disclosures – Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)– INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)– INT 13	Customer Loyalty Programmes[6]
HK(IFRIC)– INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)– INT 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC)– INT 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)– INT 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2009.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for annual periods ending on or after 30 June 2009.
6 Effective for annual periods beginning on or after 1 July 2008.
7 Effective for annual periods beginning on or after 1 October 2008.
8 Effective for transfers of assets from customers received on or after 1 July 2009.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Goodwill

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment losses is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment losses for goodwill is recognised directly in the consolidated income statement. An impairment losses for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill (Continued)

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

Discount arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities on the relevant subsidiary over the cost of business combination, after reassessment. Such discount is recognised immediately in profit and loss.

(e) Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(f) Investment in Jointly-controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment in Jointly-controlled entities (Continued)

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment losses. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

(g) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

(h) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is dereognised.

(j) Other non-current assets

Other non-current assets represent the deposits paid to respective regulatory bodies in carrying out its principal activities, of which are stated at cost less any accumulated impairment loss.

(k) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at financial assets through profit or loss, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at financial assets through profit or loss as initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– if forms oart of a contract containing one or more embedded derivaitives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, loan receivables, investment deposits, amount(s) due from a related company/a director/a minority shareholder of a subsidiary/associates, pledged bank deposits and bank and cash balances – general) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

Impairment losses on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all the Group's financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment losses directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial assets *(Continued)*

Impairment losses on financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Interest expenses are recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities are including trade payables, other payables and accruals, amount due to a related company/a director, bank overdrafts, other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

***Financial liabilities and equity** (Continued)*

Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transactions costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(l) Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment losses. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided and goods sold in the normal course of business.

Commission income for broking business of securities and futures dealing are recognised on a trade date basis when the services are provided.

Insurance brokerage/commission income/underwriting commission income/placing commission income and securities handling income are recognised when the services are provided.

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Revenue from installation contracts is recognised when the work completed and confirmed by customers.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Sales of investments held for trading are recognised on a trade date basis.

Sub-letting income is recognised in the consolidated income statement on a straight-line basis over term of the relevant lease.

(n) Equity settled share-based payment transactions

Share options granted to directors and employees of the Company (on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005)

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issue are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Option which lapse of are cancelled prior to their exercise date are the register of outstanding options.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Equity settled share-based payment transactions (Continued)

Share options granted to directors and employees of the Company (after 7 November 2002 and vested before 1 January 2005)

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

(o) Share warrants granted to consultants

Share warrants issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share warrants granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share warrants reserve) when the counterparties render services, unless the services qualify for recognition as assets.

(p) Remuneration shares

Remuneration shares were issued to the financial consultants of the Company with vesting conditions.

The fair value of shares granted at the grant date with vesting conditions was determined by the fair value of the services received by the Group. The remuneration shares expenditure is expensed and recognised in the consolidated income statement. At the time when the vesting conditions of these shares are fulfilled, share capital for the par value of the shares issed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

(s) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(t) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Sub-letting income from operating lease is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

(v) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF" Scheme) are charged as an expense when the employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses recognised in respect of trade receivables

The policy for impairment losses in respect of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each client. If the financial conditions of debtors and their ability to make payment worsen, additional allowance may be required. Impairment losses for trade receivables for the year ended 31 March 2009 of approximately HK$66,000 (2008: Nil) was recognised.

Impairment losses recognised in respect of other receivables

The policy for impairment losses in respect of other receivables of the Group are based on the estimation of future cash flow. The amount of the impairment losses is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment losses may arise. Impairment losses for other receivables for the year ended 31 March 2009 of approximately HK$108,000 (2008: Nil) was recognised.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific assets basis or in groups of similar assets, as applicable. This process requires management's of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated income statement.

Impairment of intangible assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value-in-use of cash-generating units to which the asset is allocated. Estimated the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. As at 31 March 2009, the carrying amounts of intangible assets was approximately HK$980,000.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment losses may arise. As at 31 March 2009, the carrying amount of goodwill is HK$2,554,000. Details of the impairment testing on goodwill are set out in note 21.

Fair value of convertible loan notes

The fair values of the convertible loan notes involve assumptions on the Company's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation.

Fair value of share warrants

The fair value of the share warrants is subject to the limitation of the Black-Scholes-Metron Option Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the warrant life, and other relevant parameters of the valuation model. Should these assumption change, there would be material change to the valuation.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of assets

The management determines the impairment losses if circumstances indicate the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value-in-use. In determining the value-in-use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgment relating to level of sales revenue and related costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of the related costs.

Provision in respect of litigation

The Group has been engaged in a ligation in respect of the compensation for damage incurred to the rented premise. Provisions on the possible obligation have been made based on management's best estimates and judgements together with the legal advice.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes convertible loan notes disclosed in note 38, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two years ended 31 March 2009 and 2008.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are licensed with Securities and Futures Commission ("SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, these Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by SF(FR)R in excess of HK$3,000,000 or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis.

5. CAPITAL RISK MANAGEMENT (Continued)

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

The directors of the Company monitor the capital structure of the Group and ensure compliance with the above capital requirements.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
– Loans and receivables (including cash and cash equivalents)	**128,302**	29,063
– Investments held for trading	**442**	2,784
– Financial assets designated at fair value through profit or loss	**–**	36,000
Financial liabilities		
– At amortised cost	**83,149**	58,526
– Convertible loan notes	**23,066**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, trade receivables, other receivables and deposits, amount(s) due from (to) related companies/directors/a minority shareholder of a subsidiary/an associate, pledged bank deposits, trade payables, other payables and accruals, bank overdrafts, other borrowings, obligations under finance leases, convertible loan notes and bank and cash balances – general. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to foreign currency denominated trade receivable with foreign brokers and bank balances. The Group's exposure to currency risk is minimal. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Currency risk** (Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	–	–	4,446	2

More than 90% of financial assets and financial liabilities of the Group are denominated in HK$ and the remaining is denominated in USD. As USD is not the functional currency of the Group entity and HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates. In the opinion of directors of the Company, the foreign currency sensitivity does not give additional value in view of insignificant movement in the USD/HK$ exchange rates and insignificant exposure of other foreign currencies as at the balance sheet date. Accordingly, no foreign currency sensitivity is disclosed.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate assets and liabilities. For the year ended 31 March 2008, the Group has exposure to fair value interest rate risk in relation to fixed-rate other borrowings. For year ended 31 March 2009, the Group has no exposure to fair value interest rate risk.

The Group's cash flow interest rate risk is mainly relating to the fluctuation of Hong Kong prime rate (the "prime rate") arising from the Group's interest bearing financial instruments. The Group's exposure to interest rates on financial assets and financial liabilities are detailed below.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Financial instruments with variable interest rate in nature

	2009 HK$'000	2008 HK$'000
Assets		
– Trade receivables		
– cash clients	**8,633**	919
– margin clients	**72,744**	7,420
– Amount due from a director (note 30)	**776**	426
– Bank balances and cash – general	**22,138**	15,390
Liabilities		
– Bank overdrafts	**–**	1,963
– Other borrowings	**–**	10,618

Financial instruments with fixed interest rate in nature

	2009 HK$'000	2008 HK$'000
Liabilities		
– Obligations under finance leases	**–**	469
– Other borrowings	**–**	19,117

The sensitivity analysis is prepared assuming the financial instruments outstanding with variable interest rate at the balance sheet date were outstanding for the whole year. As at 31 March 2009, if the interest rate of borrowings and trade receivables from cash and margin clients had been 100 (2008: 100) basis point higher/lower, the Group's post-tax profit would increase/decrease by approximately HK$686,000. In 2008, the Group's post-tax loss would increase/decrease by approximately HK$31,000 if the interest rate basis point had been 100 higher/lower.

Equity price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Equity price risk** (Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% (2008:5%) higher/lower:

– post-tax profit for the year ended 31 March 2009 would increase/decrease by approximately HK$675,000 as a result of the changes in fair value of investments held for trading. In 2008, the Group's post-tax loss would decrease/increase by approximately HK$7,000.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivatives financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The maturity portfolio of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, the table include both interest and principal cash flow was as follows:

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March HK$'000
2009					
Non-derivative financial liabilities					
Trade payables, other payables and accruals	83,139	–	–	83,139	83,139
Amount due to a director	10	–	–	10	10
Convertible loan notes	–	–	50,000	50,000	23,066
	83,149	–	50,000	133,149	106,215

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March HK$'000
2008					
Non-derivative financial liabilities					
Bank overdraft – secured	1,963	–	–	1,963	1,963
Other borrowings – unsecured	30,534	–	–	30,534	29,735
Accounts payable, other payables and accruals	25,469	–	–	25,469	25,469
Amount due to a related company	890	–	–	890	890
Obligations under finance leases	324	200	–	524	469
	59,180	200	–	59,380	58,526

Credit risk

At as the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet and the amount of contingent liabilities as disclosed in Note 48.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spreading across diverse industries and geographical areas.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions. For share warrants, the fair value is estimated using option pricing model.

The carrying amounts of financial assets and financial liabilities reported in the balance sheets of the Group approximate their fair value due to their immediate or short-term maturities.

7. TURNOVER

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

	2009 **HK$'000**	2008 HK$'000
Income from securities, futures and insurance brokerage business	**8,731**	6,636
Margin interest income from securities and futures brokerage business	**1,829**	1,289
Electrical engineering-contracting income	**4,280**	2,809
Sale of electrical goods	**722**	1,621
	15,562	12,355

8. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions. These divisions are the basis on which the Group reports its primary segment information. The principal activities are as follows:

(i) Securities, futures and insurance brokerage and margin financing

(ii) Electrical engineering contracting

(iii) Sale of electrical goods

8. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables' present turnover, results and certain asset, liability and expenditure information for the Group's business segments.

For the year ended 31 March 2009

	Securities, futures and insurance brokerage and margin financing HK$'000	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Total HK$'000
Turnover	10,560	4,280	722	15,562
Segment results	(896)	54	22	(820)
Unallocated revenue				462
Unallocated expenses				(12,470)
Write back of long outstanding amount due to a related company				890
Reversal of impairment losses on investment deposits				8,500
Change in fair value of financial assets designated as fair value through profit or loss	24,800			24,800
Discount on acquisitions of subsidiaries	863			863
Gain on disposal of subsidiaries				61
Gain on deemed disposal of partial interests in a subsidiary				17
Decrease in fair value of investments held for trading	(2,313)			(2,313)
Finance costs				(4,162)
Profit before taxation				15,828
Taxation				(115)
Profit for the year				15,713

8. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 March 2008

	Securities, futures and insurance brokerage and margin financing HK$'000	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Total HK$'000
Turnover	7,925	2,809	1,621	12,355
Segment results	1,064	(3,886)	(140)	(2,962)
Unallocated revenue				1,117
Unallocated expenses				(7,595)
Reversal of impairment losses on investment deposits				8,000
Loss on disposal of a subsidiary				(262)
Decrease in fair value of investments held for trading	(32)			(32)
Finance costs				(4,093)
Loss before taxation				(5,827)
Taxation				–
Loss for the year				(5,827)

8. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 March 2009

	Securities, futures and insurance brokerage and margin financing HK$'000	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Total HK$'000
Assets				
Segment assets	170,890	120	3	171,013
Unallocated assets	–	–	–	71,693
Total assets				242,706
Liabilities				
Segment liabilities	71,260	6,492	877	78,629
Unallocated liabilities	–	–	–	29,376
Total liabilities				108,005

8. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 March 2009

	Securities, futures and insurance brokerage and margin financing HK$'000	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:					
Additions to property, plant and equipment	2,020	–	24	1,305	3,349
Depreciation of property, plant and equipment	581	12	63	144	800
Impairment losses recognised in respect of trade receivable	–	–	–	–	66
Impairment losses recognised in respect of amount due from a related company	–	–	–	–	13
Impairment losses recognised in respect of amount due from an associate	–	–	–	–	12
Impairment losses recognised in respect of other receivables	–	–	–	–	108
Gain on disposal of investments held for trading	–	–	–	–	(1)
Gain on disposal of property, plant and equipment	–	–	–	–	(29)

8. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 March 2008

	Securities, futures and insurance brokerage and margin financing HK$'000	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Total HK$'000
Assets				
Segment assets	21,669	486	501	22,656
Unallocated assets	–	–	–	57,164
Total assets				79,820
Liabilities				
Segment liabilities	12,655	7,476	1,272	21,403
Unallocated liabilities	–	–	–	37,381
Total liabilities				58,784

For the year ended 31 March 2008

	Securities, futures and insurance brokerage and margin financing HK$'000	Electrical engineering contracting HK$'000	Sale of electrical goods HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:					
Additions to property, plant and equipment	–	14	–	897	911
Depreciation of property, plant and equipment	74	8	63	463	608

(b) Geographical segments

All of the activities of the Group are based in Hong Kong and all of the Group's revenue, capital expenditure and segment assets are derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

9. OTHER REVENUE

	2009	2008
	HK$'000	HK$'000
Handling charges	**154**	100
Interest income	**124**	331
Write back of long outstanding trade payables, other payables and accruals	**95**	571
Net exchange gain	**717**	–
Reversal of impairment losses on		
– trade receivables	**–**	199
– other receivables	**–**	500
Gain on disposal of property, plant and equipment	**29**	–
Gain on disposal of investments held for trading	**1**	–
Write back of long outstanding amount due to a related company	**890**	–
Sub-letting income	**308**	–
Sundry income	**68**	54
	2,386	1,755

10. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on:		
Bank overdrafts wholly repayable within five years	**73**	120
Obligations under finance lease	**53**	34
Other borrowings	**3,262**	3,939
Imputed interest expenses on convertible loan notes (note 38)	**774**	–
	4,162	4,093

11. TAXATION

	2009 HK$'000	2008 HK$'000
Current tax		
Hong Kong Profits tax		
– Provision for the year	**92**	–
– Under-provision for prior years	**27**	–
Deferred tax		
– Credit for the year	**(4)**	–
Taxation for the year	**115**	–

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profits derived from Hong Kong for the year ended 31 March 2008.

Hong Kong Profits Tax was calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year ended 31 March 2009.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The taxation for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Profit (loss) before taxation:	**15,828**	(5,827)
Tax at domestic income tax rate of 16.5% (2008: 17.5%)	**2,612**	(1,020)
Tax effect of expenses not deductible for tax purposes	**2,425**	1,224
Tax effect of income not taxable for tax purpose	**(5,721)**	(1,484)
Utilisation of tax losses previously not recognised	**(15)**	(63)
Tax effect of tax losses not recognised	**787**	1,343
Under-provision in prior years	**27**	–
Taxation for the year	**115**	–

Details of deferred taxation are set out in note 37.

12. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

	2009 HK$'000	2008 HK$'000
Auditors' remuneration		
– current year	**500**	620
– under-provision in prior years	**–**	19
Depreciation of property, plant and equipment		
– owned assets	**622**	269
– assets held under finance lease	**178**	339
Bad debts written off	**–**	34
Operating lease in respect of rented premises	**2,281**	919
Equity-settled share based payment	**–**	–
– issue of remuneration shares	**1,200**	–
– issue of share warrants	**552**	–
	1,752	–
Net exchange loss	**–**	26
Impairment losses recognised in respect of		
– trade receivables	**66**	–
– other receivables	**108**	–
– amount due from an associate	**12**	–
– amount due from a related company	**13**	–
Total staff costs:		
– directors' remuneration	**1,973**	2,359
– salaries and allowance	**6,280**	5,988
– retirement benefit scheme contributions (excluding directors)	**261**	248
	8,514	8,595

13. DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS

Directors' emoluments

The emoluments of each director of the Group during the year are as follows:

For the year ended 31 March 2009

	Directors' fees HK$'000	Other emoluments Salaries, allowances and other benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
NG Cheuk Fan, Keith	610	60	–	670
SUN Tak Yan, Desmond	325	–	–	325
YEUNG Kwok Leung	130	536	12	678
Independent non-executive directors:				
LAM Ka Wai, Graham	100	–	–	100
NG Kay Kwok	100	–	–	100
TAM B Ray Billy	100	–	–	100
	1,365	596	12	1,973

13. DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS (Continued)

Directors' emoluments (Continued)

For the year ended 31 March 2008

		Other emoluments		
	Directors' fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
NG Cheuk Fan, Keith[1]	644	–	–	644
SUN Tak Yan, Desmond	330	–	–	330
NG Khai Wain[4]	200	–	–	200
YOU Wei[4]	200	–	–	200
YEUNG Kwok Leung	130	543	12	685
Independent non-executive directors:				
SHANE Philips[5]	46	–	–	46
CAI Zhixu[6]	68	–	–	68
HO Albert[5]	46	–	–	46
LAM Ka Wai, Graham[2]	54	–	–	54
NG Kay Kwok[2]	54	–	–	54
TAM B Ray Billy[3]	32	–	–	32
	1,804	543	12	2,359

1 Appointed effective on 4 April 2007.
2 Appointed effective on 14 September 2007.
3 Appointed effective on 4 December 2007.
4 Resigned on 14 August 2007.
5 Resigned on 14 September 2007.
6 Resigned on 4 December 2007.

There was no arrangement under which directors waived or agreed to waive any emoluments during the two years ended 31 March 2009 and 2008. No emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office.

13. DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS (Continued)

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2008: three) was directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2008: two) highest paid individuals were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries, allowances and other benefits in kind	**1,451**	1,884
Retirement benefits scheme contributions	**59**	70
	1,510	1,954

The emoluments of the two (2008: two) highest paid employees fall in the following bands

	Number of individuals	
	2009	2008
Emoluments bands		
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**1**	1
	2	2

During the two years ended 31 March 2009 and 2008, no emoluments were paid to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the two years ended 31 March 2009 and 2008.

15. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data.

	2009	2008
	HK$'000	HK$'000
Earnings (loss) for the purpose of both basic and diluted earnings per share	**16,224**	(5,827)

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

	2009	2008
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**501,671**	464,070
Effect of dilutive potential ordinary shares:		
– Share warrants	**1,414**	–
– Convertible loan notes	**5,616**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**508,701**	464,070

The calculation of diluted earnings (loss) per share for the two years ended 31 March 2009 and 2008 did not assume the exercise of the Company's options as exercise price of the share options was higher than the average market price for shares.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2007	615	1,658	3,474	1,832	7,579
Additions	604	–	307	–	911
Arising on disposal of subsidiaries	(604)	–	(293)	–	(897)
At 31 March 2008 and 1 April 2008	615	1,658	3,488	1,832	7,593
Arising on acquisition of subsidiaries	864	7	1,168	–	2,039
Additions	1,331	143	217	1,658	3,349
Disposals/written off	(251)	(595)	(615)	(1,355)	(2,816)
At 31 March 2009	2,559	1,213	4,258	2,135	10,165
Accumulated depreciation					
At 1 April 2007	599	1,622	3,249	1,155	6,625
Provided for the year	54	22	193	339	608
Eliminated on disposal of a subsidiary	(40)	–	(25)	–	(65)
At 31 March 2008 and 1 April 2008	613	1,644	3,417	1,494	7,168
Provided for the year	94	13	101	592	800
Eliminated on disposal/written off	(251)	(581)	(569)	(1,194)	(2,595)
At 31 March 2009	456	1,076	2,949	892	5,373
Carrying values					
At 31 March 2009	2,103	137	1,309	1,243	4,792
At 31 March 2008	2	14	71	338	425

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20%
Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying value of assets held under finance leases included in the total amount of motor vehicles of the Group as at 31 March 2008 was HK$338,000 (2009: Nil).

17. INTANGIBLE ASSETS

	HK$'000
Cost	
At 1 April 2007, 31 March 2008 and 1 April 2008	–
Arising on acquisition of subsidiaries	980
At 31 March 2009	980
Carrying values	
At 31 March 2009	980
At 31 March 2008	–

The intangible assets represent the trading right on the Stock Exchange and the Hong Kong Futures Exchange Limited with indefinite useful life.

The directors of the Company carried out impairment test based on the recent market price of the trading right which indicate no impairment losses was necessary for the year ended 31 March 2009.

18. OTHER NON-CURRENT ASSETS

	2009	2008
	HK$'000	HK$'000
At cost:		
Deposits paid to the Stock Exchange:		
– Compensation fund deposits	**202**	50
– Fidelity fund deposits	**150**	50
– Stamp duty deposits	**60**	30
– Membership deposits	**1,500**	–
– Statutory deposit	**50**	–
Deposits paid to Hong Kong Securities Clearing Company Limited:		
– Guarantee fund contribution	**150**	60
– Admission fees	**150**	50
	2,262	240

19. INTERESTS IN ASSOCIATES

	2009	2008
	HK$'000	HK$'000
Cost of investment in associates		
United shares, at cost	**–**	35,000
Share of post-acquisition results and reserves	**–**	–
	–	35,000
Amounts due from associates	**–**	33,440
	–	68,440
Less: Impairment losses recognised	**–**	(68,428)
	–	12

The amount was unsecured, interest-free and repayable on demand.

The directors of the Company assessed that the associates incurred significant losses continuously. Accordingly, the investment costs were fully impaired and substantial amounts of current accounts were impaired in previous years. During the year ended 31 March 2009, the directors of the Company further impaired the amount due from the associate of approximately HK$12,000 due to the remote recovered.

On 24 March 2009, the Company disposed of its entire equity interests on its subsidiaries, Hong Tong Hai Logistics Limited ("HTH Logistics") and Transwell Investments Limited ("Transwell") for a consideration of HK$10,000 each and totaling HK$20,000 to an independent third party. HTH Logistics and Transwell have direct interests in these associates. The Group's interests in associates were derecognised upon disposal of the subsidiaries (note 43).

19. INTERESTS IN ASSOCIATES (Continued)

As at 31 March 2008, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of shares held	Percentage of equity attributable to the Group	Principal activities
Bright Rich International Limited	Incorporated	Hong Kong	Ordinary	50%	Inactive
Sharpway Enterprises Limited	Incorporated	The British Virgin Islands	Ordinary	50%	Inactive
United Asia Terminal Holdings Limited	Incorporated	The British Virgin Islands	Ordinary	40%	Investment holding
Shanghai Fortune Limited	Incorporated	Hong Kong	Ordinary	40%	Investment holding
Fortune Union Investment Limited	Incorporated	Hong Kong	Ordinary	40%	Investment holding
Shanghai United Asia Container Services Co. Ltd. (Note) 上海聯亞集裝箱服務有限公司	Sino-foreign equity joint venture	The People Republic of China (the "PRC")	Registered Capital	36%	Inactive

Note: The English name of the associate represents management's best effort at translating the Chinese name of the company as no English name has been registered.

20. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	2009	2008
	HK$'000	HK$'000
Cost of investment in a jointly controlled entity		
United shares, at cost	**–**	19,100
Share of post-acquisition results and reserves	**–**	–
	–	19,100
Less: Impairment losses recognised	**–**	(19,100)
	–	–

The directors of the Company assessed that the jointly controlled entity is inactive and incurred significant losses continuously. Accordingly, the investment cost was fully impaired in previous years.

On 24 March 2009, the Company disposed of its entire equity interest on a subsidiary, TopStar Enterprises (Holdings) Limited ("TopStar") to an independent third party for a consideration of HK$10,000. TopStar's sole asset in this investment is a jointly controlled entity. The investment in a jointly controlled entity was derecognised upon disposal of the subsidiary (note 43).

20. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (Continued)

Particulars of the Group's jointly-controlled entity as at 31 March 2008 is as follows:

Name of company	Form of business structure	Place of incorporation/ operations	Class of shares held	Percentage of equity attributable to the Group	Principal activities
Dagong Credit Information Service Company Limited 大公信用信息服務有限公司 (Note)	Incorporated	The PRC	Registered Capital	50%	Inactive

Note: The English name of the jointly controlled entity represents management's best effort at translating the Chinese name of the company as no English name has been registered.

21. GOODWILL

	HK$'000
Cost	–
Goodwill arising on acquisition of a subsidiary during the year (Note 42)	2,554
Net carrying value	
At 31 March 2009	2,554

The goodwill was arising on acquisition of Excalibur Securities Limited ("the Excalibur Securities") on 17 February 2009. For the purpose of impairment testing, goodwill has been allocated to the cash generating units ("the CGU") of Excalibur Securities and is tested for impairment at least once annually.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU, which covers the above goodwill is determined from a value-in-use calculation. The calculation is carried by BMI Appraisals Limited, an independent qualified valuer not connected with the Group. The key assumptions used in the basis of calculation are those regarding the discount rate and growth rate. The discount rate using the prevailing market rate of return of similar companies in the market adjusted with the specific risks relating to relevant subsidiaries. The growth rates are based on industry growth forecasts and expectations of future changes in the relevant markets.

The valuation covers for a five-year cash flow forecasts derived from the CGU's financial budgets for 2009 to 2013, of which are approved by the management of the Excalibur Securities (the "Forecasts"). The rate used to discount the Forecasts is 12.88% per annum.

21. GOODWILL (Continued)

The directors of the Company expected the securities brokerage businesses has an average growth rate of 6% per annum are appropriate for the valuation review.

The results for the reviews undertaken as at 31 March 2009 indicated that no impairment losses was necessary for the year ended 31 March 2009.

22. INVESTMENTS HELD FOR TRADING

	2009	2008
	HK$'000	HK$'000
Listed investments		
– Equity securities listed in Hong Kong	**442**	2,784

The fair values of the above listed securities are determined basing on the quoted market bid prices available on the Stock Exchange.

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	HK$'000	HK$'000
Unlisted securities		
– Non-voting cumulative redeemable convertible preference shares ("Preference Shares")	**–**	36,000

During the year ended 31 March 2009, the Group has received an amount of HK$60,800,000 from China Sciences Conservational Power Limited (the "CSCPL") for the Preference Shares and the directors of the Company are of the opinion that the amount actually received from CSCPL approximates to the fair value of the Preference Shares. The change in fair value of HK$24,800,000 was credited to the consolidated income statement accordingly.

24. TRADE RECEIVABLES

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

	2009	2008
	HK$'000	HK$'000
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	**10,879**	2,635
– margin clients	**71,504**	7,369
Trade receivables from the business of dealing in futures		
– clearing houses and cash client	**7,923**	–
Trade receivables from electrical engineering contract and trading of electrical goods	**14**	675
	90,320	10,679

As at 31 March 2009, the Group had trade receivables balance of approximately HK$4,436,000 (2008: Nil) was denominated in USD.

The settlement terms of trade receivable arising from the business of dealing in securities are two days after trade date and trade receivable arising from the business of dealing in futures are one day after trading date. The trade receivable from electrical engineering contract and trading of electrical goods business allow a credit period of 30 to 90 days. The Group does not hold any collateral over these balances.

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.

24. TRADE RECEIVABLES (Continued)

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

	2009 HK$'000	2008 HK$'000
Less than 30 days	**16,650**	2,106
31 to 60 days	**893**	38
61 to 90 days	**407**	123
Over 90 days	**866**	1,043
	18,816	3,310

Trade receivable to margin clients are secured by the clients' pledged securities at fair values of approximately HK$319,189,000 (2008: HK$48,506,000) which can be sold at the Group's direction to settle any margin call requirements imposed by their respective securities transactions. The trade receivables to cash and margin customers are repayable on demand and bear interest at commercial rates. As at 31 March 2009, included in the total trade receivables, HK$81,377,000 (2008: HK$8,339,000) were interest bearing whereas HK$10,541,000 (2008: HK$3,087,000) were non-interest bearing.

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$2,992,000 (2008: HK$1,295,000) which are past due as at the reporting date for which the Group has not provided for impairment losses.

At 31 March 2009 and 2008, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	2009 HK$'000	2008 HK$'000
Less than 30 days	**825**	390
31 to 90 days	**1,301**	56
Over 90 days	**866**	849
	2,992	1,295

24. TRADE RECEIVABLES (Continued)

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movements in the impairment losses of trade receivables in aggregate during the year are as follows:

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**747**	946
Arising on acquisition of subsidiaries	**1,308**	–
Amounts written off as uncollectible	**(523)**	–
Recognised (reversal of) impairment losses during the year	**66**	(199)
Balance at end of the year	**1,598**	747

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$1,598,000 (2008: HK$747,000) were individually impaired of trade debtors who were in financial difficulties.

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Other receivables	**6,037**	5,645
Deposits paid	**2,983**	347
Prepayments (Note)	**12,354**	168
	21,374	6,160
Less: Impairment losses recognised	**(5,736)**	(5,645)
	15,638	515

Note: Included in prepayments of approximately HK$11,659,000 (2008: Nil) represents an amount prepaid for acquisition of an advanced specific software for futures contracts trading (Note 47).

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movements in the impairment losses of other receivables in aggregate during the year are as follows:

	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**5,645**	6,145
Amounts written off as uncollectable	**(17)**	–
Recognised (reversed of) impairment losses during the year	**108**	(500)
Balance at end of the year	**5,736**	5,645

Included in impairment losses of other receivables are individually impaired who were in financial difficulties with an aggregate balance of approximately HK$5,736,000 (2008: HK$5,645,000).

26. LOAN RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Interest bearing loan receivables	**6,256**	69,019
Less: Impairment losses recognised	**(6,256)**	(69,019)
	–	–

Movements in the impairment losses of loan receivables in aggregate during the year are as follows:

	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**69,019**	69,019
Amounts written off as uncollectible	**(62,763)**	–
Balance at end of the year	**6,256**	69,019

In previous year, one of the subsidiary was engaged in personal and commercial lending business. Loans were arising from its ordinary course of lending business. The amount of debts were individually assessed and impaired with an aggregate balance of approximately HK$6,256,000 (2008: HK$69,019,000) which have been long outstanding regardless of repetitive demands for repayment from the Group and the directors of the Company regarded that the amounts were irrecoverable and full impairment losses made in previous years.

No interest receivable is accrued during the two years ended 31 March 2009 and 2008.

27. INVESTMENT DEPOSITS

	2009 HK$'000	2008 HK$'000
Deposit for formation of a joint venture (Note b)	**5,000**	5,000
Earnest money for acquisition of an interest in the PRC company engaged in software development (Note c)	**3,500**	12,000
Deposit paid for acquisition of an associate in the PRC engaged in brokerage services for dealing in financial and commodity futures (Note d)	**37,307**	–
Deposit paid for acquisition of additional interests in a subsidiary engaged in brokerage for dealing in futures business (Note e)	**5,000**	–
Deposit paid for acquisition of entire interests of a subsidiary engaged in investment and corporate finance advisory, trading of securities and money lending (Note f)	**100**	–
	50,907	17,000
Less: Impairment losses recognised	**(8,500)**	(17,000)
	42,407	–

Notes:

(a) The above deposits are refundable and classified as current assets in the consolidated financial statements.

(b) A deposit of HK$10,000,000 was paid to a PRC party in May 2002 for the formation of a sino-foreign joint venture in the PRC in which the Group would own 49%. The joint venture was to be principally engaged in construction engineering consultancy and advisory services. The joint venture could not obtain the business license and half of the deposit amounting to HK$5,000,000 was refunded to the Group on 18 July 2005. Up to the date of this report, the Group is still taking steps to recover the deposits. As the amount has not yet received up to the report date and based on the assessment of the Company's directors, impairment losses was made in respect of the balance of HK$5,000,000.

27. INVESTMENT DEPOSITS (Continued)

Notes: (Continued)

(c) On 15 July 2005, the Group entered into a letter of intent with an independent third party and a guarantor in relation to the proposed acquisition of certain equity interests in a PRC company, which is principally engaged in the design and distribution of application software specifically for hospitals and clinics in the PRC. Pursuant to the terms of the letter of intent, the Group paid HK$20,000,000 as earnest money.

Pursuant to the cancellation agreement of the letter of intent date 28 September 2007, the earnest money paid of HK$20,000,000 was agreed to be fully refunded by the end of July 2008. During the year ended 31 March 2009 and 2008, the Group has recovered HK$8,500,000 and HK$8,000,000 respectively. Accordingly, this amount of the provision for impairment was reversed and credited to the consolidated income statement. As the amount has not yet received up to the report date and based on the assessment of the Company's directors, impairment losses was made in full.

(d) On 9 December 2008, Fortune Financial (Holdings) Limited ("Fortune Financial"), a wholly owned subsidiary of the Company entered into a non-legally binding memorandum with an independent third party, Shenzhen Huade Petrochemical Company Limited* (the "Shenzhen Huade") (深圳市華德石油化工有限公司) to acquire between 20% to 49% equity interests of New Era Futures Company Limited* (the "New Era") (新紀元期貨有限公司) at a consideration of RMB1,500,000 (equivalent to approximately HK$1,690,000) for every 1% equity interests of New Era. The total aggregate consideration would be ranged from RMB30,000,000 to RMB73,500,000 (equivalent to approximately HK$33,810,000 to HK$82,840,000).

New Era is a company established in the PRC and engaged in brokerage services for dealing in financial and commodity futures contracts in the PRC. The Group had paid RMB3,000,000 (equivalent to HK$3,400,000) as deposit on 9 December 2008.

On 4 March 2009, Fortune Financial entered into a second non-legally binding memorandum with Shenzhen Huade to increase its targeted acquisition percentage on New Era's equity interests to not less than 40%. Correspondingly, the minimum total aggregated consideration would increased to RMB60,000,000. The Group had paid an additional deposit of RMB27,040,000 (equivalent to HK$33,907,000) on 5 March 2009. Details of the transaction had been set out in the Company's announcement dated 27 May 2009.

(e) On 6 March 2009, Fortune Financial entered into a sales and purchase agreement with an independent third party, Pioneer (China) Limited (the "Pioneer China"), a minority shareholder of a subsidiary to acquire remaining 49% issued share capital on Excalibur Futures Limited (the "Excalibur Futures") at a consideration of HK$9,800,000. Details of the transaction had been set out in the Company's announcement dated 16 March 2009. As at 31 March 2009, the Group had paid HK$5,000,000 as a deposit for the acquisition. The transaction were approved by independent shareholders of the Company at an extraordinary general meeting held on 29 May 2009.

(f) On 6 March 2009, Fortune Financial entered into a conditional sales and purchase agreement with an independent third party, Ample Wealth Group Limited to acquire an entire interests in Wealthy Aim Group Limited which owns 70% equity interests in AMS Capital Limited at a consideration of HK$58,400,000. Details of the transaction had been set out in the Company's announcement dated 16 March 2009. As at 31 March 2009, the Group had paid HK$100,000 as a deposit for the acquisition.

*: The English names of the companies represents management's best effort at translating the Chinese names of companies as no English name had been registered.

28. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

29. AMOUNT DUE FROM A RELATED COMPANY

Amount due from a related company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	Balance as at 31 March		**Maximum amount outstanding during year ended 31 March**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sharpway Enterprises Limited	**–**	13	**13**	13

The amount is unsecured and interest-free. As the amount is long outstanding and the Company's directors consider that the recovery of the amount is remote, accordingly, the balance was fully impaired during year ended 31 March 2009. Mr. YEUNG Kwok Leung, a director of the Company, is the key management of the related company.

30. AMOUNT DUE FROM A DIRECTOR

Director's current accounts disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	Balance as at 31 March		**Maximum amount outstanding during year ended 31 March**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mr. YEUNG Kwok Leung	**776**	426	**1,508**	2,256

The amount due from Mr. YEUNG Kwok Leung, a director of the Company, bears interest at prime rate plus 5% (2008: prime rate plus 5%) per annum and repayable on demand.

The amount is secured by pledged of securities. As at 31 March 2009, the total market value of securities pledged as collateral in respect of the loan to a director were approximately HK$1,429,000 (2008: HK$1,683,000).

31. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/BANK OVERDRAFTS

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 margin financing business. The Group has classified the clients' monies as bank balances and cash – trust under the current assets of the consolidated balance sheet and recognised the corresponding account payables to respective clients on the grounds 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

The Group comprises bank balances and cash held by the Group amounting to approximately HK$22,138,000 (2008: HK$15,390,000) with an original maturity of three months or less. The bank balances and bank deposits carried interest at market rates ranging from 0.01% to 0.05% (2008: 0.05%) per annum.

As at 31 March 2009, the Group had bank balances of approximately HK$10,000 (2008: HK$2,000) were originally denominated in USD.

Pledged bank deposits

As at 31 March 2008, bank deposits had been pledged to secure bank overdrafts granted to the Group. The pledged bank deposits were released upon the settlement of relevant banking facilities. The pledged bank deposits at 31 March 2008 and 2009 carried fixed interest rate at 0.02% – 1.00% per annum.

Bank overdrafts – secured

Bank overdrafts carried interest at rates ranging from prime rate to the prime rate less 1% for the two years ended 31 March 2009 and 2008.

32. OTHER BORROWINGS – UNSECURED

The Group had four unsecured borrowings:

(i) As at 31 March 2008, an outstanding balance of borrowing amounting of approximately HK$10,618,000 was unsecured and borne interest at the prime rate plus 3% per annum. The amount was fully repaid during the year ended 31 March 2009.

(ii) As at 31 March 2008, an outstanding balance of borrowing amounting of approximately HK$12,117,000 was unsecured and borne interest at 24% per annum. The amount was fully repaid during the year ended 31 March 2009.

(iii) As at 31 March 2008, an outstanding balance of borrowing amounting of approximately HK$4,000,000 was unsecured and borne interest at 4% per annum. The amount was fully during the year ended 31 March 2009.

(iv) As at 31 March 2008, an outstanding balance of borrowing amounting of approximately HK$3,000,000 was unsecured and borne interest at 4% per annum. The amount was fully during the year ended 31 March 2009.

33. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2009	2008
	HK$'000	HK$'000
Trade payables from the business of dealing in securities:		
– margin and cash clients	**28,878**	12,051
Trade payables from the business of dealing in future contracts	**40,637**	–
Trade payables arising from the business of electrical engineering contract work and trading of electrical goods	**4,034**	4,623
Other payables and accruals	**9,590**	8,795
	83,139	25,469

For trade payables, no ageing analysis is disclosed for Group's cash and margin 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 share margin financing.

33. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

At the balance sheet date, the ageing analysis of the trade payables arising from the business of electrical engineering contract work and trade of electrical goods was as follows:

	2009 HK$'000	2008 HK$'000
0 – 30 days	–	56
31 – 60 days	–	71
61 – 90 days	7	53
Over 90 days	4,027	4,443
	4,034	4,623

34. AMOUNTS DUE TO A RELATED COMPANY/A DIRECTOR

The amounts are unsecured, interest-free and repayable on demand.

35. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain motor vehicles under finance leases. The lease term ranged from 2 to 3 years. For the year ended 31 March 2009, the average effective interest rate was 2.64% (2008: 2.64%) per annum. Interest rate was fixed at the contract date. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Amounts payable under finance leases				
Within one year	–	324	–	290
More than one year but not exceeding two years	–	200	–	179
	–	524	–	469
Less: Future finance charges	–	(55)		
Present value of lease obligations	–	469		
Less: Amounts due for settlement within one year included in current liabilities			–	(290)
Amounts due for settlement after one year included in non-current liabilities			–	179

35. OBLIGATIONS UNDER FINANCE LEASES (Continued)

The Group's obligations under finance leases were secured by the Group's charge over the leased assets.

Finance leases obligations are denominated in HK$.

36. PROVISIONS

	Provisions for litigation HK$'000
At 1 April 2007, 31 March 2008 and 1 April 2008	–
Additional provisions	940
At 31 March 2009	940

Provisions were made based on management's best estimates and judgments. The additional provision has been made during the year in respect of a charge as a defendant regarding to the compensation for the damage incurred for the rental premise (note 4).

37. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movement thereof during the current and prior reporting periods.

	Decelerated depreciation allowance HK$'000
At 31 March 2008	–
Arising on acquisition of subsidiaries	57
Charged to consolidated income statement for the year	4
At 31 March 2009	61

At 31 March 2009, the Group has unused tax losses of approximately HK$129,619,000 (2008: HK$124,943,000) available for offset against future profits. Tax losses may be carried forward indefinitely.

38. CONVERTIBLE LOAN NOTES

On 17 February 2009, the Company issued convertible notes (the "2012 Convertible Notes A") was issued on 17 February 2009 and due on 16 February 2012 with an aggregate principal amount of HK$20,000,000. The 2012 Convertible Notes A can convert up to an aggregate 200,000,000 ordinary shares of the Company at HK$0.1 each. The 2012 Convertible Notes A were denominated in HK$. The effective interest rate of the liability component is 12.08%. The 2012 Convertible Notes A was fully converted into ordinary shares on 17 February 2009.

On 19 February 2009, the Company issued another convertible notes (the "2012 Convertible Notes B") which due on 18 February 2012 with an aggregate amount of HK$50,000,000. The 2012 Convertible Notes B can convert up to an aggregate 500,000,000 ordinary shares of the Company at HK$0.1 each. The 2012 Convertible Notes B are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes. The shares to be issued and allotted conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. The effective interest rate of the liability components is 30%.

Each of convertible notes is bifurcated into a liability component and an equity component. The equity component is presented in equity heading ("convertible loan notes equity reserve"). The movement of the liability and equity components of the convertible notes for the year is set out below:

	2012 Convertible Notes A	**2012 Convertible Notes B**	**Total**
	HK$'000	HK$'000	HK$'000
Liability components			
Issue of convertible notes during the year	14,208	22,292	36,500
Transfer to share capital upon conversion to ordinary shares	(14,208)	–	(14,208)
Imputed interest expenses (note 10)	–	774	774
At 31 March 2009	–	23,066	23,066
Equity components			
Issue of convertible notes during the year	5,792	26,458	32,250
Transfer to share capital upon conversion to ordinary shares	(5,792)	–	(5,792)
At 31 March 2009	–	26,458	26,458

39. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each (Note a)	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 1 April 2007, 31 March 2008 and 1 April 2008	464,070,000	46,407
Issue of shares (Note b)	80,000,000	8,000
Issue of remuneration shares (Note c)	12,000,000	1,200
Conversion of convertible notes (Note d)	200,000,000	20,000
At 31 March 2009	756,070,000	75,607

Notes:

(a) On 30 May 2008, the Company increased its authorised share capital from HK$100,000,000 to HK$500,000,000 by creation of 4,000,000,000 new ordinary shares with par value of HK$0.1 per each. The resolution was passed on EGM of shareholders held on 18 July 2008.

(b) Pursuant to a conditional placing agreement dated 10 September 2008 (as supplemented on 10 December 2008 and 31 January 2009 respectively) between the Company and Get Nice Securities Limited (the "Placing Agent"). The Placing Agent agreed to place 80,000,000 new shares on a fully underwritten basis, at the price of HK$0.25 per placing share. These new shares were issued under the general mandate granted on the annual general meeting of the Company held on 29 August 2008. All conditions of the placing agreement have been fulfilled and completion of placing agreement took place on 19 February 2009. Details of the transaction had been set out in the Company's announcement dated 24 September 2008.

(c) Pursuant to a written resolution of the board of directors on 24 April 2008, the Company approved a remuneration warrants granted to Veda Capital Limited (the "Veda Capital") for providing professional service amount to HK$1,200,000 in relation to the resumption of trading in the shares of the Company. On 18 February 2009, totalling 12,000,000 remuneration share at a price of HK$0.1 per share were issued. Details of the transaction had been set out in the Company's circular dated 30 June 2008.

(d) Pursuant to a sales and purchase agreement dated 27 February 2008 between the Company and Mr. Lao Chio Kuan, an independent third party. The Company agreed to purchase 51% equity interests of Excalibur Securities at a consideration of HK$20,000,000. The consideration was settled by way of issuing the convertible loan notes for a principal amount of HK$20,000,000 at the price of HK$0.1 per share to Mr. Lao Chio Kuan and totalling 200,000,000 shares were converted on 19 February 2009. Details of the transaction had been set out in the Company's circular dated 30 June 2008.

All new shares issued during the year ended 31 March 2009 ranked pari passu in all respects with other shares in issue.

40. SHARE WARRANTS

Pursuant to a written resolution of the board of directors on 17 February 2009, the Company approved to grant remuneration warrants to Veda Capital who provided the service in regarding of resumption of trading in shares of the Company in the Stock Exchange. On 18 February 2009, the Group granted remuneration warrants to Veda Capital to subscribe for 12,000,000 shares at an exercise price of HK$0.1 per share at any time between the issuance date of remuneration warrants and 36 months thereafter.

The registered holders of the warrants have not exercised the warrants as at the balance sheet date.

41. SHARE–BASED PAYMENT TRANSACTIONS

The Company had a share option scheme (the "2001 share option scheme") which was adopted on 3 April 2001. Pursuant to a shareholders' resolution dated 12 February 2003, the 2001 share option scheme enabling the directors to grant options to employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company was terminated.

A new share option scheme (the "New Option Scheme") was approved and adopted by the shareholders of the Company on 12 February 2003. The New Option Scheme is valid and effective for a period of 10 years after the date of adoption.

Under the terms of the New Option Scheme, the directors of the Company may, at their discretion, grant options to the full-time employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company 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 of the Company during a period of 5 years commencing on the date of acceptance of the option at a price not less than the higher of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant 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 of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may 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.

At 31 March 2009, 11,400,000 (2008: 13,700,000) options had been granted and remained outstanding under the New Option Scheme of the Company, representing approximately 1.51% (2008: approximately 2.95%) of the shares of the Company in issue at that date.

41. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

Movements of the Company's share options held by employees during the year are:

		Number of share options				
Option Type	Date of grant	Outstanding at 1 April 2007	Cancelled during the year	Outstanding at 31 March 2008 and 1 April 2008	Cancelled during the year	Outstanding at 31 March 2009
2004B	27 August 2003	6,400,000	(6,200,000)	200,000	(200,000)	–
2004C	16 January 2004	2,630,000	(530,000)	2,100,000	(2,100,000)	–
2005A	1 April 2004	500,000	(500,000)	–	–	–
2006A	2 August 2005	15,992,600	(4,592,600)	11,400,000	–	11,400,000
Total		25,522,600	(11,822,600)	13,700,000	(2,300,000)	11,400,000

Note: During the two years ended 31 March 2009 and 2008, no share options were held by the directors.

The detail information for the options granted by the Group as follow:

Option type	Date of grant	Exercise period	Exercise price	Fair value at grant date
2004B	27 August 2003	27 August 2003 to 26 August 2008	HK$1.306	HK$1.170
2004C	16 January 2004	16 January 2004 to 15 January 2009	HK$0.852	HK$0.840
2005A	1 April 2004	1 April 2004 to 31 March 2009	HK$0.700	HK$0.700
2006A	2 August 2005	2 August 2005 to 1 August 2010	HK$0.352	HK$0.340

42. ACQUISITIONS OF SUBSIDIARIES

(a) On 17 February 2009, the Group acquired 51% of the issued share capital of Excalibur Securities at a consideration of HK$20,061,000. The acquisition has been accounted for using the purchase method. The amount of goodwill as a result of acquisition was approximately HK$2,554,000.

The fair value of net assets acquired in the transaction approximate to their carrying amounts and the goodwill arising are as follow:

	HK$'000
Net assets acquired:	
Property, plant and equipment	245
Intangible assets	500
Other non-current assets	532
Bank balance and cash – trust	5,036
Bank balance and cash – general	6,038
Trade receivables	33,006
Other receivables, deposits and prepayments	46
Tax recoverable	12
Deferred tax assets	57
Trade payables, other payables and accruals	(11,145)
Minority interests	(16,820)
	17,507
Goodwill	2,554
Total consideration	20,061
Satisfied by:	
Issue of convertible loan notes	20,000
Direct costs relating to the acquisition	61
	20,061
Net cash inflow arising on acquisition:	
Bank balance and cash acquired – general	6,038
Direct costs relating to the acquisition	(61)
	5,977

Excalibur Securities contributed turnover and profit to the Group for the period between the date of acquisition and the balance sheet date of approximately HK$658,000 and HK$159,000 respectively.

42. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) (Continued)

If the acquisition had been completed on 1 April 2008, total Group's turnover and profit for the year ended 31 March 2009 would have been increased by approximately HK$5,718,000 and HK$1,385,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

(b) On 17 February 2009, the Group acquired 51% of the issued share capital of Excalibur Futures at a consideration of HK$12,944,000. The acquisition has been accounted for using the purchase method. The amount of discount arising as a result of acquisition was approximately HK$834,000.

The fair value of net assets acquired in the transaction approximate to their carrying amounts and the discount on acquisition arising are as follow:

	HK$'000
Net assets acquired:	
Property, plant and equipment	1,794
Intangible assets	480
Other non-current assets	1,500
Bank balance and cash – trust	30,393
Bank balance and cash – general	7,148
Trade receivables	5,571
Other receivables, deposits and prepayments	13,542
Trade payables, other payables and accruals	(32,899)
Tax payables	(512)
Minority interests	(13,239)
	13,778
Discount on acquisition	(834)
Total consideration	12,944
Satisfied by:	
Cash	10,200
Direct costs relating to the acquisition	2,744
	12,944
Net cash outflow arising on acquisition:	
Cash consideration paid	(10,200)
Bank balance and cash acquired – general	7,148
Direct costs relating to the acquisition	(14)
	(3,066)

42. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) (Continued)

Excalibur Futures contributed to turnover and loss of approximately HK$2,424,000 and HK$514,000 respectively to the Group for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2008, total Group's turnover for the year ended 31 March 2009 would have been increased by approximately HK$21,066,000 and profit for the year ended 31 March 2009 would have been decreased by approximately HK$4,464,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

(c) On 19 January 2009, the Group acquired the entire issued share capital of Money Holder Limited (the "Money Holder") at a consideration of HK$1,200,000. The acquisition has been accounted for using the purchase method at the date of acquisition. The amount of discount acquisition arising as a result of acquisition was approximately HK$29,000.

The fair value of net assets acquired in the transaction approximate to their carrying amounts and the discount on acquisition arising are as follow:

	HK$'000
Net assets acquired:	
Other receivables, deposit and prepayments	1,229
Discount on acquisition	(29)
Total consideration	1,200
Satisfied by:	
Cash	1,200
Net cash outflow arising on acquisition:	
Cash consideration paid	(1,200)

Money Holder contributed approximately HK$161,000 loss to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2008, total Group's turnover for the year ended 31 march 2009 would remain unchanged and profit for year ended 31 March 2009 would have been decreased by approximately HK$1,367,000.

43. DISPOSAL OF SUBSIDIARIES

(a) On 24 March 2009, the Group disposed of the following subsidiaries at a consideration of HK$30,000 to an independent third party, the net liabilities of these subsidiaries at the date of disposals were as follows:

	HTH Logistics	TopStar	China Legend International Limited	Transwell	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net liabilities disposed of:					
Interests in associates	–	–	–	–	–
Investment in jointly controlled entity	–	–	–	–	–
Bank balances and cash – general	–	–	1	–	1
Trade payables, other payables and accruals	(6)	(22)	(2)	(2)	(32)
	(6)	(22)	(1)	(2)	(31)
Total consideration, satisfied by:					
Other receivables	10	10	–	10	30
Gain on disposals	16	32	1	12	61
Net cash outflow from disposal of subsidiaries					
Bank balances and cash disposed of	–	–	(1)	–	(1)

The subsidiaries disposed of during the year had no significant impact on the turnover, results and cash flow of the Group.

43. DISPOSAL OF SUBSIDIARIES (Continued)

(b) On 19 February 2008, the Group disposed of its 100% interests of Ever Ace Investment Limited and Wellink Shipping Limited at a consideration of HK$1,170,000 to an independent third party, in cash.

The net assets of the subsidiaries disposed of at the date of disposal and the loss of disposal based on the audited financial information of the subsidiaries as at 19 February 2008 were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	832
Other receivables, deposits and prepayments	835
Bank balances and cash – general	35
Trade payable, other payables and accruals	(270)
	1,432
Loss on disposal of subsidiaries	(262)
Cash consideration received	1,170
Satisfied by:	
Cash	1,170
Net inflow of cash and cash equivalents on disposal of subsidiaries:	
Cash consideration	1,170
Bank balances and cash disposed of	(35)
	1,135

The subsidiaries disposed of during the year had no significant impact on the turnover, results and cash flow of the Group.

44. DEEMED DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY

On 23 September 2008, one of a subsidiary, Fortune Wealth Management Limited (the "Fortune Wealth") allotted and issued 25,000 ordinary shares of HK$1 each to Leea Wealth Management Limited at a consideration of HK$25,000. As a result, the Company's equity interests in Fortune Wealth decreased from 100% to 75% and a gain arising from this deemed disposal of partial interests in Fortune Wealth amounting of approximately HK$17,000.

45 RELATED PARTY TRANSACTIONS

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

	2009 **HK$'000**	2008 HK$'000
Brokerage commission received from a director	**12**	84
Interest receivables received from a director	**44**	34
Sale of motor vehicle to a key management personnel	**30**	–
Deposits paid to a minority shareholder of a subsidiary for acquiring additional equity interests of the subsidiary (Note 27)	**5,000**	–

(ii) Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2009 **HK$'000**	2008 HK$'000
Short-term benefits	**1,961**	2,347
Post-employment benefits	**12**	12
	1,973	2,359

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

46. RETIREMENT BENEFIT SCHEME

The Group operates a defined MPF under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The total cost charged to the consolidated income statement of approximately HK$261,000 (2008: HK$248,000) represents contributions payable to the schemes by the Group in respect of the year ended 31 March 2009.

47. COMMITMENTS

At the balance sheet date, the Group had the following commitments in respect of:

(a) Capital commitments

	2009	2008
	HK$'000	HK$'000
Contracted but not provided for:		
– acquisition of subsidiaries (Note i)	**82,400**	20,000
– acquisition of property, plant and equipment (Note ii)	**8,341**	–
	90,741	20,000

Notes:

(i) On 6 March 2009, the Group entered into a sale and purchase agreement whereby the Group agreed to purchase the entire interest in Wealthy Aim Group Limited from Ample Wealth Group Limited, an independent third party, at a consideration of HK$58,500,000. The Group paid HK100,000 deposit as at 31 March 2009 and the balance of the consideration will be settled by the issuance of zero coupon convertible loan notes at conversion price of HK$0.16 each. The acquisition is conditional upon fulfillment of all conditions precedent in the sales and purchase agreement and the transaction has not yet completed up to the report date. Details of which are set out in the Company's announcement dated on 16 March 2009.

On 6 March 2009, the Group entered into two sale and purchase agreements to acquire 49% equity interests in Excalibur Securities and Excalibur Futures from Pioneer China, a minority shareholder of the Group. The consideration of HK$19,200,000 and HK$9,800,000 respectively of which are settled by issuance of zero coupon convertible loan notes at conversion price of HK$0.16 each, subjected to the profit guarantee for Excalibur Securities for its net profits not less than HK$10,000,000 and HK$12,000,000 in 2009 and 2010 and Excalibur Futures for its net profits not less than HK$4,500,000 and HK$5,000,000 respectively. The transactions were approved by independent shareholders of the Company at an extraordinary general meeting held on 29 May 2009 and details of which are set out in the Company's circular dated 8 May 2009. As at 31 March 2009, a deposit of HK$5,000,000 was paid.

(ii) On 18 February 2009, the Group has acquired 51% of the issued share capital of Excalibur Futures which had previously entered into a project agreement with an independent third party to acquire an advanced specific software for futures contracts trading at a consideration of HK$20,000,000. As at year end date, the Group has prepaid HK$11,659,000 for the project cost.

47. COMMITMENTS (Continued)

(b) Other commitment

	2009 **HK$'000**	2008 HK$'000
Contracted but not provided for:		
– placing of convertible notes	**–**	50,000

(c) Operating lease commitments

The Group as lessee

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

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**8,385**	552
In the second to fifth years, inclusive	**3,697**	–
	12,082	552

48. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities not provided for in the consolidated financial statements in respect of:

	2009 **HK$'000**	2008 HK$'000
Guarantee given to a licensed money lender to secure a loan granted to a subsidiary	**–**	12,000

49. POST BALANCE SHEET EVENTS

(a) On 6 March 2009, the Group entered into two sale and purchase agreements to acquire 49% equity interests in Excalibur Securities and Excalibur Futures from Pioneer China, a minority shareholder of the Group. The consideration of HK$19,200,000 and HK$9,800,000 respectively will be settled by issuance of zero coupon convertible notes at conversion price of HK$0.16 each, subjected to the profits guarantee for Excalibur Securities Limited for its net profits not less than HK$10,000,000 and HK$12,000,000 in 2009 and 2010 and Excalibur Futures for its net profits not less than HK$4,500,000 and HK$5,000,000 respectively. The transactions were approved by independent shareholders of the Company at an extraordinary general meeting held on 29 May 2009 and details of which are set out in the Company's circular dated 8 May 2009.

(b) On 16 March 2009, the Group entered into a subscription agreement to issue zero coupon convertible notes in the principal amount of HK$32,000,000 due on three years from the date of issue at the exercise price of HK$0.16 per conversion share. The convertible notes attached with an option for the subscriber to subscribe for convertible notes up to a maximum of 200,000,000 shares and extraordinary meeting was passed on 8 May 2009. The transaction was completed by an extraordinary general meeting held on 29 May 2009 and details of which is set out in the Company's circular dated 8 May 2009.

(c) On 6 March 2009, the Group entered into a sales and purchase transaction to acquire the entire equity interests in Wealthy Aim Group Limited from Ample Wealth Group Limited, an independent third party, at a consideration of HK$58,500,000. The acquisition is conditional upon fulfilment of all conditions precedent in the sales and purchase agreement and the transaction has not yet completed up to the report date. Details of which are set out in the Company's announcement dated on 16 March 2009.

(d) On 22 May 2009, the Group proposed to issue a zero coupon convertible bond in the principal amount of HK$128,000,000 due on 31 December 2012 at the exercise price of HK$0.16 per conversion share. The convertible bond attached with an option for the subscriber to subscribe for convertible bond up to a maximum principal amount of HK$128,000,000 convertible into a maximum of 800,000,000 shares and extraordinary meeting was held on 3 July 2009. The transaction has not yet completed up to the report date and details of which are set out in the Company's announcement dated 27 May 2009.

(e) On 22 May 2009, the Group entered into a share transfer agreement with Shenzhen Huade, an independent third party, to acquire 49% equity interests in New Era at a consideration of RMB58,830,000 (approximately HK$66,850,000) which will be settled by way of setting the first deposit, the second deposit, the third deposit and the remaining balance of totalling RMB20,790,000 to be paid by cash, within five business days upon the share transfer date. The acquisition is conditional upon fulfilment of all conditions precedent. The transaction has not yet completed up to the report date and details of which are set out in the Company's announcement dated 27 May 2009.

50. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31 March 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital		Percentage of equity attributable to the Group	Principal activities
		Ordinary/ registered	Deferred (Note a)		
Fortune (HK) Securities Limited (Formerly known as Hong Tong Hai Securities Limited)	Hong Kong	HK$41,000,000	–	100%	Provision of securities brokerage and financing services
Excalibur Securities (Note b)	Hong Kong	HK$20,000,000	–	51%	Provision of securities brokerage and financing services
Excalibur Futures (Note b)	Hong Kong	HK$20,000,000	–	51%	Provision of futures brokerage services
Fortune Wealth Management (Formerly known as Charmview International Trading Limited)	Hong Kong	HK$1,000,000	–	75%	Provision for insurance brokerage service
Yew Sang Hong Limited	Hong Kong	HK$20	HK$12,524,000	100%	Electrical engineering contracting
Yew Sang Hong Trading Limited	Hong Kong	HK$2	HK$2	100%	Trading in electrical equipment and materials
Hong Tong Hai Consultants Limited	Hong Kong	HK$2	–	100%	Investment holding
Jetcom Limited	The British Virgin Islands	US$1	–	100%	Investment holding
Sinogear Enterprises Limited	The British Virgin Islands	US$1	–	100%	Investment holding

50. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital Ordinary/ registered	Deferred (Note a)	Percentage of equity attributable to the Group	Principal activities
Yew Sang Hong (China) Limited	The British Virgin Islands	US$1	–	100%	Investment holding
Yew Sang Hong (BVI) Limited	The British Virgin Islands	US$1	–	100%	Investment holding
Yew Sang Hong Trading (China) Limited	Hong Kong	HK$2	–	100%	Trading in electrical equipment and materials
Yew Sang Hong Building Services (Maintenance) Engineering Limited	Hong Kong	HK$2	–	100%	Building maintenance
Fortune Financial (Formerly known as Yew Sang Hong Investment Services Limited)	The British Virgin Islands	US$1	–	100%	Investment holding
Money Holder (Note b)	Hong Kong	HK$10,000	–	100%	Sub-letting of premises

(a) The deferred shares are shares whose shareholders are neither entitled to receive notices, attend or vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiaries.

(b) Acquired during the year ended 31 March 2009.

(c) None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

(d) The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particular excessive length.

51. BALANCE SHEET OF THE COMPANY

	2009 HK$'000	2008 HK$'000
Non-current asset		
Investments in subsidiaries	**–**	–
	–	–
Current assets		
Investments held for trading	**442**	38,756
Other receivables, deposits and prepayments	**479**	16
Loan receivables	**–**	–
Amounts due from subsidiaries (Note)	**27,491**	3,741
Amount due from a related company (Note)	**–**	12
Bank balances and cash	**1,689**	1,181
	30,101	43,706
Current liabilities		
Other borrowings – unsecured	**–**	10,618
Trade payables, other payables and accruals	**2,516**	2,425
Amounts due to subsidiaries (Note)	**4,919**	41
	7,435	13,084
	22,666	30,622
Capital and reserves		
Share capital	**75,607**	46,407
Share premium	**244,634**	233,184
Share options reserve	**1,208**	1,208
Share warrants reserve	**552**	–
Convertible loan notes reserve	**26,458**	–
Contributed surplus	**80,657**	80,657
Accumulated losses	**(429,516)**	(330,834)
Total (capital deficits) equity	**(400)**	30,622
Non-current liability		
Convertible loan notes	**23,066**	–
	22,666	30,622

Note: The amount(s) due from/to subsidiaries and a related company are unsecured, interest-free and repayable on demand.

52. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Five Year Financial Summary

	For the year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**15,562**	12,355	6,504	29,690	102,427
Profit/(Loss) before taxation	**15,828**	(5,827)	(12,438)	(131,092)	(96,752)
Taxation	**(115)**	–	(792)	(159)	(36)
Profit/(Loss) before minority interests	**15,713**	(5,827)	(13,230)	(131,251)	(96,788)
Minority interests	**511**	–	–	–	2,412
Profit/(Loss) for the year attributable to equity holders of the Company	**16,224**	(5,827)	(13,230)	(131,251)	(94,376)
Earnings/(Loss) per share (HK cents) Basic	**3.2**	(1.3)	(2.9)	(28.5)	(27.9)

	At 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**242,706**	79,820	63,151	92,750	244,723
Total liabilities	**(108,005)**	(58,784)	(36,288)	(52,694)	(55,624)
	134,701	21,036	26,863	40,056	189,099
Minority interests	**29,781**	–	–	–	(49,162)
Total equity	**104,920**	21,036	26,863	40,056	139,937