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

From Strength to Strength

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. NG Cheuk Fan, Keith *(Managing Director)*
Mr. YEUNG Kwok Leung
Mr. Hon Chun Yu

Non-Executive Director

Mr. Wong Kam Fat, Tony *(Chairman)*

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. Yeung Kwok Leung

AUTHORISED REPRESENTATIVES

Mr. YEUNG Kwok Leung
Mr. NG Cheuk Fan, Keith

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

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Causeway Bay
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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
18/F, Fook Lee Commercial Centre,
Town Place, 33 Lockhart Road
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Hong Kong

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STOCK CODE

0290

WEBSITE

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CHAIRMAN'S STATEMENT

Since the financial turmoil in 2008, the international financial market remained capricious, and the U.S. economy weakened subject to the continued impact of the credit crunch. Once again, European countries faced the potential outbreak of a liquidation crisis, and triggered fear that the global economy will be heading towards a double dip recession. As a whole, the driving force behind the global economic recovery has been moving eastward, thanks to the stable development of China's economy, with its Gross Domestic Product (GDP) in 2009 every bit as impressive as that of Japan, the world's second-largest economy. Several prominent financial institutions even forecast that China's GDP will be in line with the U.S. by 2020.

The rise of China as a global economic player has brought immense opportunities to the Hong Kong financial market. Recently, the People's Bank of China has signed the settlement agreement on the Clearing of Renminbi businesses (《人民幣業務清算協議》) opening a new round of opportunities to the development of Hong Kong's financial sector. Some estimate that the size of RMB business in the future will be no less than that of the current value of H shares in Hong Kong. It is imminent that Hong Kong will soon become the offshore center for RMB in the region. As a financial services company whose strategic focus lies in the growing integration of the cross border markets, the Group has already deployed resources including establish a representative office in Shenzhen last year, actively exploring business opportunities on the Mainland.

Hong Kong's capital market benefited from China's policy of encouraging state and private enterprises to ”Go Global” on one hand, and international investors seeking the right investment platforms to participate in China's economic growth on the other. During the first half of 2010 in particular, small and medium-sized enterprises were active in their fund-raising activities; the overall number of IPO has grown by 67% compared to the corresponding period last year, while the total capital raised increased by 185% compared to the corresponding period last year, a substantial number of companies are from the Mainland. This is a good demonstration of Hong Kong as the preferred international fund raising platform for various enterprises on the Mainland.

Riding on Hong Kong's position as an international financial market, and the solid foundation as a preferred financing platform for the Mainland, we put great efforts and focus on developing the China Fortune Group as partners to Chinese enterprises in their move to “Go Global”, and endeavor to provide financial services like securities and futures brokerage, capital restructuring, asset management and advisory to ensure a reasonable return to shareholders.

Wong Kam Fat, Tony
Chairman

Hong Kong, 28 July 2010

RESULTS

During the year ended 31 March 2010, the total revenue for the Group was approximately HK$80,488,000 (2009: HK$10,676,000) and loss attributed to the shareholders was approximately HK$23,711,000 (2009: profit HK$16,224,000). The loss was mainly due to the change in fair value of derivative component and the imputed interest expenses on convertible loan notes issued by the Group. Factoring these elements into the accounts, the financial performance of the Group in the current year has improved as a result of more vibrant economic conditions and the strength of our business.

During the period under review, the Group has completed the acquisitions of two major subsidiaries, namely Excalibur Securities Limited (ESL) and Excalibur Futures Limited (EFL). Both companies became a wholly owned subsidiary on 11 August 2009.

REVIEW OF OPERATIONS

Securities broking business

For the year under review, the Group operates two wholly owned securities companies, Fortune (HK) Securities Limited and Excalibur Securities Limited, the latter became a wholly owned subsidiary on 11 August, 2009. Revenue booked by these two securities broking business recorded approximately HK$37,854,000 (2009: HK$6,294,000), accounting for approximately 47.03% of the Group's total revenue (2009: 58.95%). The result was due to an increase in commission income arising from underwriting and placements. During the year under review, the financial markets over the world have stabilized after a series of policies introduced by governments and central banks. The investment sentiment of the local capital market has improved, as indicative of the active transactions made by our securities clients, resulting in the growth in commission income.

As per the announcement made by the Company on 22 October 2009, the Group is in process of disposing Excalibur Securities Limited. Pending its completion, the Group's strategy is to strengthen and focus on the existing securities operation of Fortune (HK) Securities Limited and work in close collaboration with our Shenzhen representative office to explore cross border business opportunities in securities trading and placement.

Securities financing business

During the year under review, interest income generated from securities margin loan portfolio was approximately HK$16,684,000 (2009: HK$1,829,000), which accounted for 20.73% of the Group's total revenue (2009: 17.13%). Growth for the year under review is attributed to the Group's expanded operation, including the acquisition of Excalibur Securities Limited which was completed on 11 August 2009 and the increasing demand from our established customer base.

To leverage this growth opportunity, the Group has injected more resources into the securities financing business and deepened our coverage of the customers' needs for capital.

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

On 11 August 2009, Excalibur Futures Limited became a wholly owned subsidiary of the Group. The income generated from the futures broking business during the year under review recorded approximately HK$25,536,000 (2009: HK$2,424,000) accounting for approximately 31.73% of the Group's total revenue (2009: 22.71%). With our strategic focus in the growing cross border integration between Hong Kong and the mainland financial markets, the management expects that the futures broking business will continue to be one of the key drivers of the Group's revenue in the coming year.

Other businesses

During the year, the Group commenced new business operations in the areas of insurance broking, immigration advisory and financial communication services, which were in line with the corporate strategy of becoming an integrated financial services provider in the Great China region. Aggregate income generated by these subsidiaries amounted to approximately HK$414,000, accounting for less than 1% of the Group's total revenue. The Group is confident that these new businesses will not only strengthen our position in the market and enhance our ability to serve the target customer base, but they will also develop into a healthy stream of income in the long run.

PROSPECTS

After the financial turmoil in 2008, the driving seat for economic recovery has shifted to the East. Emerging markets in particular Asia are steering the wheels for global recovery. At China Fortune Group Limited, we have long been convinced that the emergence of China as a world power in the global economy will bring immense opportunities to the local financial market. It has been our strategy to strengthen our mainland presence, deepened our network and our participation of the market where possible to seize the opportunities ahead.

The acquisition of 49% equity interest in 新紀元期貨有限公司 (New Era Futures Company Limited*) ("New Era Futures"), a company established in the PRC engaged in brokerage services for dealing in financial and commodity futures contracts in the PRC is in progress. Upon completion, the Group can extend its present scope of business to cover financial and commodity futures dealings in the PRC. In addition, the Directors considered that the acquisition would enable a strategic partnership with other shareholders of New Era Futures, facilitating further collaborations in the futures market on the mainland, a move which is in the interests of the shareholders of the Company (the "Shareholders") and the Group as a whole.

The Company will continue to focus on exploring further opportunities to invest in financial services-related businesses that could maximize the returns to the Shareholders.

* *For identification purpose only*

CAPITAL STRUCTURE

As at 31 March 2009, the total issued share capital of the Company was 756,070,000 shares of HK$0.1 each ("Share(s)").

On 27 February 2008, the Company entered into a placing agreement with Kingston Securities Limited in respect of a conditional placing of the zero coupon convertible notes in the aggregate principal amount of HK$50 million due on the third anniversary of the date of issue, that is, 19 February 2012, at a conversion price of HK$0.1 per conversion share ("China Fortune CB1"). During the year ended 31 March 2010, convertible notes with an aggregate principal amount of HK$22,000,000 were converted into 220,000,000 Shares.

On 22 May 2009, the Company entered into a subscription agreement with Jadehero Limited ("Jadehero") in respect of the issuance of the zero coupon convertible bonds in the principal amount of HK$128 million due on 31 December 2012 at an exercise price of HK$0.16 per conversion share ("China Fortune CB2"). During the year ended 31 March 2010, convertible bonds with an aggregate principal amount of HK$67,040,000 were converted into 419,000,000 Shares.

On 25 September 2009 and 22 January 2010, 3,800,000 new Shares and 1,800,000 new Shares were issued pursuant to the share option scheme of the Company adopted on 12 February 2003 and refreshed on 29 May 2009 (the "Share Option Scheme").

As at 31 March 2010, the total issued Shares were 1,400,670,000 Shares.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2010, the Group's total current assets and current liabilities were approximately HK$655,438,000 (2009: HK$232,057,000) and approximately HK$425,588,000 (2009: HK$84,939,000) respectively, while the current ratio was about 1.5 times (2009: about 2.7 times).

As at 31 March 2010, the Group's aggregate bank balances and cash amounted to approximately HK$34,052,000 (2009: HK$22,138,000), representing approximately 5.20% (2009: 9.54%) of total current assets.

The gearing ratio as at 31 March 2010, measured on the basis of total borrowing as a percentage of total Shareholders' equity, was approximately 224.41% (2009: 21.98%). The increase was mainly due to other borrowings and convertible loan notes.

As at 31 March 2010, the debt ratio, defined as total debts over total assets, was approximately 50.01% (2009: 9.50%). The increase in the debt ratio was mainly due to other borrowings and convertible loan notes.

FUND RAISING ACTIVITIES

In 6 May 2009, the Company entered into a subscription agreement with Top Good Holdings Limited ("Top Good") in respect of the issuance of zero coupon convertible bonds of the Company in the principal amount of HK$32 million to Top Good due on the third anniversary of the date of issue, that is 30 June 2012 ("China Fortune CB3"). China Fortune CB3 may be convertible into a maximum number of 200,000,000 new Shares at the conversion price of HK$0.16 per conversion share. Following the approval by the shareholders (the "Shareholders") at the extraordinary general meeting of the Company held on 29 May 2009, the Company had issued China Fortune CB3 in an aggregate principal amount of HK$32 million to Top Good.

On 22 May 2009, the Company entered into a subscription agreement with Jadehero in respect of the issuance of China Fortune CB2 with the option for Jadehero to further subscribe convertible bonds up to a maximum principal amount of HK$128 million convertible into a maximum of 800 million Shares ("China Fortune CB4"). Following the approval by the Shareholders at the extraordinary general meeting of the Company held on 3 July 2009, the Company had fully issued China Fortune CB2 to Jadehero.

MATERIAL ACQUISITION AND DISPOSAL

On 6 March 2009, Fortune Financial (Holdings) Limited ("Fortune Financial") as the purchaser, a wholly-owned subsidiary of the Company, entered into a conditional agreement with Pioneer (China) Limited ("Pioneer") as the vendor to acquire the remaining 49% equity interest in Excalibur Securities Limited (the "ESL") at a consideration HK$19,200,000. The consideration had been settled by issuing zero coupon convertible notes of the Company in a principal amount of HK$19,200,000 due on the third anniversary of the date of issue, that is 24 August 2012 with conversion price of HK$0.16 per conversion share. 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) ("SFO"). The acquisition was completed on 11 August 2009 and ESL thereafter became a wholly-owned subsidiary of the Company.

On 6 March 2009, Fortune Financial as the purchaser also entered into a conditional agreement with Pioneer as the vendor to acquire the remaining 49% equity interest in Excalibur Futures Limited ("EFL") at a consideration HK$9,800,000. The consideration had been settled by issuing zero coupon convertible notes of the Company in a principal amount of HK$9,800,000 due on the third anniversary of the date of issue, that is 24 August 2012 with conversion price of HK$0.16 per conversion share. EFL is a corporation licensed to carry on type 2 (dealing in futures contract) regulated activity under SFO. The acquisition was completed on 11 August 2009 and EFL thereafter became a wholly-owned subsidiary of the Company.

On 6 March 2009, Fortune Financial (as purchaser) entered into a conditional sale and purchase agreement with an independent third party, Ample Wealth Group Limited (as vendor), to acquire the entire interest in Wealthy Aim Group Limited ("Wealthy Aim"), which owns 70% equity interests in AMS Capital Limited, at a consideration of HK$58,500,000 ("AMS Agreement"). The AMS Agreement was terminated on 2 November 2009. Details of the termination of the acquisition were set out in the Company's announcement dated 3 November 2009.

On 22 May 2009, Fortune Financial (as purchaser) entered into a conditional share transfer agreement with 深圳市華德石油化工有限公司 (Shenzhen Huade Petrochemical Company Limited*) ("Shenzhen Huade"), a company established in the PRC (as vendor), to acquire 49% equity interest in New Era Futures at a consideration of RMB58,830,000 (equivalent to approximately HK$66,619,000). New Era Futures is a company established in the PRC and engaged in brokerage services for dealing in financial and commodity futures contracts in the PRC. The acquisition was not completed as at the date of this announcement.

On 16 October 2009, a conditional sale and purchase agreement was entered into among Fortune Financial, Faith Star Asia Limited ("Faith Star") and ESL in relation to the disposal of the entire equity interest in ESL by Fortune Financial to Faith Star at the consideration of the net asset value of ESL (based on the management accounts of ESL as at the date of completion of disposal) that equivalent to the sum plus HK$5 million. The transaction constituted a major and connected transaction of the Company. The disposal has not been completed as at the date of this announcement.

On 24 November 2009, the Company as the vendor entered into a conditional agreement with Mr. Lai Sai Sang as the purchaser in relation to the disposal of the entire equity interest in Yew Sang Hong (BVI) Limited, a wholly-owned subsidiary of the Company ("YSH") and the loan owed by the YSH and its subsidiaries ("YSH Group") to the Company in the sum of approximately HK$5,111,000 at a consideration of HK$10,000. The transaction constituted a major and connected transaction of the Company. The disposal was completed on 31 January 2010.

On 27 January 2010, an agreement was entered into among King Dynasty Group Limited ("King Dynasty"), a wholly-owned subsidiary of the Company as the purchaser, VC Financial Group Limited ("VCFG") as the vendor and VC Asset Management Limited as the target company in relation to the acquisition of 2,475,000 shares representing 9.9% of the issued share capital of the target company, at a consideration of HK$600,000. The acquisition was completed in February 2010.

On 27 January 2010, an agreement was entered into among King Dynasty as the purchaser, VCFG as the vendor and VC Capital Limited ("VCCL") as the target company in relation to the acquisition of 1,980,000 shares representing 9.9% of the then issued share capital of the target company, at a consideration of HK$1,600,000. The acquisition was completed in February 2010.

SIGNIFICANT INVESTMENT

On 18 September 2009, a subscription agreement was entered into between Jetgain Limited, a wholly owned subsidiary of the Company (as subscriber) and Value Convergence Holdings Limited ("VC Holdings") (as issuer), a company incorporated in Hong Kong with limited liabilities and the issued shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in respect of the subscription of the convertible bonds to be issued by VC Holdings in a principal amount of HK$100,000,000 at an initial conversion price of HK$1.00 per conversion share of VC Holdings. The subscription agreement was lapsed on 1 March 2010.

* *for identification purpose only*

On 3 March 2010, Main Wealth Enterprises Limited ("Main Wealth") as the subscriber, a wholly-owned subsidiary of the Company, entered into a subscription term sheet with Emperor Watch and Jewellery Limited ("EWJ") as the issuer, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange, in respect of the subscription for the convertible bonds to be issued by EWJ up to a maximum principal amount of HK$70,000,000 in two tranches with an initial conversion price of HK$0.54 per conversion share of the EWJ. Main Wealth had completed the subscription of the tranche one convertible bonds in the principal amount of HK$10,000,000 in April 2010 and has been given an option to subscribe for the tranche two convertible bonds in the principal amount of HK$60,000,000.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group does not have any material contingent liability.

CAPITAL COMMITMENT

As at 31 March 2010, the Group had no outstanding capital commitment (2009: HK$90,741,000).

CHARGE ON THE GROUP'S ASSET

As at 31 March 2010, 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 use Hong Kong dollars to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

HUMAN RESOURCES

At as 31 March 2010, the Group had 105 employees in total. The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

LITIGATION

On 17 August 2009, Yew Sang Hong Limited, a then indirectly wholly-owned subsidiary of the Company which was subsequently disposed by the Group in January 2010, received a winding-up petition (the "Winding-Up Petition") issued by the Hong Kong Housing Authority ("HKHA") demanding repayment of the Judgment Debts of approximately HK$1,094,000 together with the accrued and further interests. The case was fully settled by a mutually agreed amount of HK$400,000 and the Winding-Up Petition was withdrawn on 19 October 2009.

One of the Company's subsidiaries has claimed for a rental deposit in the sum of HK$130,000 and has been 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 was no material litigation in respect of outstanding litigation or legal proceedings that needed to be disclosed as at 31 March 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. NG Cheuk Fan, Keith

Mr. NG Cheuk Fan, Keith, aged 49, was appointed as an executive Director of the Company in April 2007 and was further appointed as Managing Director of the Company on 4 December 2007. Upon his directorate in the Company, he was further appointed as directors of various subsidiaries within the Group. 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 experience. He holds directorship in almost all subsidiaries in the Group. Mr. Ng is an independent non-executive director of the Hong Kong Building and Loan Agency Limited, a company listed on the main board of the Stock Exchange. He is currently an executive director of Hao Tian Resources Group Limited, a company listed on the main board of the Stock Exchange.

Mr. YEUNG Kwok Leung

Mr. YEUNG Kwok Leung, aged 36, joined the Group in October 2005 and was appointed as 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 12 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. He holds directorship in almost all subsidiaries in the Group.

Mr. Hon Chun Yu

Mr. Hon Chun Yu ("Mr. Hon"), aged 34, was appointed as an executive Director of the Company in January 2010. He has over seven years' experience in the securities brokerage industry. In November 2002, Mr. Hon joined the Group and served in both the accounting department of the Group for one year and as an account executive of a wholly-owned securities company of the Group for one year. Mr. Hon then left to pursue his career in a renowned securities company, before re-joining the Group in May 2006 as the operations manager of Fortune (HK) Securities Limited, a wholly-owned subsidiary of the Company.

NON-EXECUTIVE DIRECTOR

Mr. WONG Kam Fat, Tony

Mr. Wong Kam Fat, Tony ("Mr. Wong"), aged 47, was appointed as a non-executive Director and the chairman of the Company in September 2009. He is the vice-chairman of the board of directors as well as the chairman of human resources and administration committee of Sik Sik Yuen. He is also the supervisor of Ho Yu College and Primary School. He has profound management experience in working with charities and in the education industry as well as possessing over 15 years' of management experience in the printing industry. He is a director of Hip Lik Design and Printing Company Limited, which is principally engaged in the printing business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Kay Kwok

Mr. NG Kay Kwok, aged 48, was appointed as an independent non-executive Director of the Company in September 2007. He graduated from The Australian National University with a Bachelor's degree in Economics. Mr. Ng is an associate member of CPA Australia and has extensive experience in accounting and financial management. He is currently an executive director and company secretary of M Dream Inworld Limited ("MDIL"), a company listed on Growth Enterprise Market of the Stock Exchanges (the "GEM").

Mr. LAM Ka Wai, Graham

Mr. Lam Ka Wai, Graham ("Mr. Lam"), aged 42, was appointed as an independent non-executive Director of the Company in 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 the Managing Director and Head of Corporate Finance of an investment bank and has around 16 years experience in investment banking as well as around 4 years experience in accounting and auditing. He is also the independent non-executive director of Cheuk Nang (Holdings) Limited, Applied Development Holdings Limited, ZZNode Technologies Company Limited, China Sonangol Resources Enterprise Limited, Pearl Oriental Innovation Limited and Value Convergence Holdings Limited, companies listed on the main board of the Stock Exchange; and China Railway Logistics Limited and Finet Group Limited, companies listed on GEM.

Mr. TAM B Ray Billy

Mr. Tam B Ray Billy ("Mr. Tam"), aged 42, was appointed as an independent non-executive Director of the Company in December 2007. He has been a practising solicitor in Hong Kong for over fifteen 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. He is also an independent non-executive director of MDIL, a company listed on GEM.

SENIOR MANAGEMENT

Mr. POON Kwok Wah, Allan

Mr. POON Kwok Wah, Allan, aged 49, joined Excalibur group in September 2000. He is the managing director of ESL and EFL which are wholly owned subsidiaries of the Company and is responsible for overseeing the general operation, strategic and business development of Excalibur group. Mr. Poon holds a Bachelor Degree with double majors 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 63, rejoined the Group in December 2006. He is a dealing director of the securities section in the Group. Mr. Chang has over 25 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 38, joined the Group in March 2005. He is one of the dealing directors of Fortune (HK) Securities Limited, a wholly owned subsidiary of the Company. Mr. Kwok holds a Bachelor Degree of Arts from the University of Toronto and has over ten years experience in investment services business. He is responsible for overseeing the securities trading business.

DIRECTORS' REPORT

REPORT OF DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2010 of the Group.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 44 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 31 of the consolidated annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2010 (2009: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE LOAN NOTES

Details of movements in the share capital and convertible loan notes of the Company during the year are set out in note 34 and 35 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out on page 34 and 35 of this annual report.

DISTRIBUTABLE RESERVES

At 31 March 2009 and 31 March 2010, 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 106 of this annual report. This summary does not form part of the audited financial statements.

SHARE OPTION SCHEME

Details of the Share Option Schemes are set out in note 37 to the consolidated financial statements.

No share option was granted or cancelled during the year ended 31 March 2010 pursuant to the Share Option Scheme.

Movement of the Company's share option held by employees during the year ended 31 March 2010 was as follows:

	Date of grant	Fair value at grant date	Exercise price per share	Vesting period	Exercisable period	Outstanding as at 1 April 2009	Granted during the year ended 31 March 2010	Exercised during the year ended 31 March 2010 (note a)	Lapsed during the year ended 31 March 2010	Outstanding as at 31 March 2010
Employees of the Group in aggregate	2 August 2005	HK$0.34	HK$0.352	–	2 August 2005 to 1 August 2010	11,400,000	–	5,600,000	3,800,000	2,000,000
Total						11,400,000	–	5,600,000	3,800,000	2,000,000

Note:

(a) The weighted average closing price of the Company's Shares immediately before the date of which the share options were exercised during the year ended 31 March 2010 was HK$0.4825.

DIRECTORS

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

Executive Directors

Mr. NG Cheuk Fan, Keith	*(Managing Director)*
Mr. YEUNG Kwok Leung	
Mr. HON Chun Yu	*(Appointed on 22 January 2010)*
Mr. SUN Tak Yan, Desmond	*(Resigned as Chairman and executive Director on 11 September 2009)*

Non-Executive Director

Mr. WONG Kam Fat, Tony	*(Appointed as non-executive Director and chairman of the Company on 11 September 2009)*

Independent Non-Executive Directors

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

In accordance with the article 99 of the Articles of Association of the Company ("Articles of Association"), Mr. Hon Chun Yu and Mr. Wong Kam Fat, Tony, being an executive Director and non-executive Director respectively, shall hold office only until the annual general meeting of the Company ("AGM") and, being eligible, will offer themselves for re-election at the AGM.

In accordance with article 116 of the Articles of Association, Mr. Lam Ka Wai, Graham and Mr. Tam B Ray Billy, being the independent non-executive Directors shall retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All the Directors proposed for re-election at the forthcoming AGM 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 AGM 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.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2010, the interests and short positions of each of the Directors or chief executive of the Company and their associates in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests in Shares and underlying shares of the Company:

Name of Director	Shares held through controlled corporations	Number of underlying shares held through controlled corporations	Percentage of the Company's issued share capital
Wong Kam Fat, Tony (Note A)	419,000,000	1,181,000,000	114.23%

Note A: On 22 May 2009, the Company entered into a subscription agreement with Jadehero in respect of subscription of China Fortune CB2 in the principal amount of HK$128 million with the option for Jadehero to further subscribe China Fortune CB4 up to a maximum principal amount of HK$128 million.

During the year ended 31 March 2010, convertible bonds with an aggregate principal amount of HK$67,040,000 were converted into 419,000,000 Shares.

Jadehero, a company incorporated in the British Virgin Islands with limited liability and is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited.

Wong Kam Fat, Tony, the chairman and non-executive Director of the Company appointed on 11 September 2009, is the beneficial owner of the entire equity interest in Marvel Steed Limited whereas Xia Ying Yan is the beneficial owner of the entire equity interest in Southlead Limited.

Save as disclosed above, as at 31 March 2010, none of the Directors nor the chief executive of the Company, had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than options granted under the 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 of the Company, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract 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 had any 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 2010, 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:

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

Name of Shareholder(s)	Capacity	Number of Shares	Number of underlying shares	Total number Share and underlying shares	Approximate percentage to the issued share capital of the Company as at 31 March 2010
Good Treasure Holdings Limited (Note 1)	Beneficial owner	108,000,000	9,000,000	117,000,000	8.35%
Li Chun Sing, Andrew (Note 1)	Interest of controlled corporation	108,000,000	9,000,000	117,000,000	8.35%
Pioneer (China) Limited (Note 2)	Beneficial owner	–	181,250,000	181,250,000	12.94%
Kademan Limited (Note 2)	Interest of controlled corporation	–	181,250,000	181,250,000	12.94%
Chan Hoel Len (Note 2)	Interest of controlled corporation	–	181,250,000	181,250,000	12.94%
Mr. Lao Chio Kuan (Note 3)	Beneficial owner	200,000,000	–	200,000,000	14.27%
Top Good Holdings Limited (Note 4)	Beneficial owner	263,738,000	230,000,000	493,738,000	35.25%
PME Group Limited (Note 4)	Interest of controlled corporation	263,738,000	230,000,000	493,738,000	35.25%
Jadehero Limited (Note 5)	Beneficial owner	419,000,000	1,181,000,000	1,600,000,000	114.23%
Southlead Limited (Note 5)	Interest of controlled corporation	419,000,000	1,181,000,000	1,600,000,000	114.23%
Xia Ying Yan (Note 5)	Interest of controlled corporation	419,000,000	1,181,000,000	1,600,000,000	114.23%
Marvel Steed Limited (Note 5)	Interest of controlled corporation	419,000,000	1,181,000,000	1,600,000,000	114.23%
Wong Kam Fat, Tony (Note 5)	Interest of controlled corporation	419,000,000	1,181,000,000	1,600,000,000	114.23%

Notes:

1. Good Treasure Holdings Limited ("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 7.71% of the issued share capital of the Company as at 31 March 2010), Good Treasure has also been granted a call option to acquire the entire 9,000,000 Shares (representing approximately 0.64% of the issued share capital of the Company as at 31 March 2010) 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 lost and the replacement certificates are being applied for.

   In all, as at 31 March 2010, Good Treasure is deemed to be interested in an aggregate of 117,000,000 Shares (representing approximately 8.35% of the issued share capital of the Company as at 31 March 2010) under the SFO.

2. Pioneer is wholly 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. Mr. Lao Chio Kuan is the registered owner of 200,000,000 Shares (representing approximately 14.27% of the issued share capital of the Company as at 31 March 2010.

4. As at 31 March 2010, Top Good, 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 263,738,000 Shares (representing approximately 18.83% of the issued share capital of the Company as at 31 March 2010) and owns (ii) China Fortune CB1 in the principal amount of HK$3,000,000; and (ii) China Fortune CB3 in the principal amount of HK$32,000,000.

5. On 22 May 2009, the Company entered into a subscription agreement with Jadehero in respect of subscription of China Fortune CB2 in the principal amount of HK$128 million with the option for Jadehero to further subscribe China Fortune CB4 up to a maximum principal amount of HK$128 million.

   During the year ended 31 March 2010, convertible bonds with an aggregate principal amount of HK$67,040,000 were converted into 419,000,000 Shares.

   Jadehero, a company incorporated in the British Virgin Islands with limited liability and is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited.

   Wong Kam Fat, Tony, the chairman and non-executive Director of the Company appointed on 11 September 2009, is the beneficial owner of the entire equity interest in Marvel Steed Limited whereas Xia Ying Yan is the beneficial owner of the entire equity interest in Southlead Limited.

Save as disclosed herein and to the knowledge of the Directors, as at 31 March 2010, no person had an interest or a short position in the Shares or the underlying shares of the Company 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.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

CONNECTED TRANSACTION

On 7 January 2010, Fortune (HK) Securities Limited (the "Placing Agent"), a wholly-owned subsidiary of the Company, entered into a placing agreement (the "Placing Agreement") with PME Group Limited (the "CB Issuer"), a company incorporated in the Cayman Islands with limited liabilities and the issued shares of which are listed on the main board of the Stock Exchange and is a substantial shareholder of the Company and thus a connected person of the Company, in relation to the appointment of the Placing Agent to carry out the placing of convertible bonds in the maximum amount of HK$264,000,000 to be issued by the CB Issuer under the Placing Agreement (the "Placing"). The CB Issuer would paid to the Placing Agent a placing commission equal to 1.25% of the aggregate placing price of the convertible bonds and that the maximum placing commission would be HK$3,300,000 if the convertible bonds in the maximum principal amount of HK$264,000,000 is successfully placed. The Placing was completed in May 2010.

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 annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2010, the aggregate turnover attributable to the Group's five largest customers accounted for less than 30% of the total turnover.

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 issued share capital) has any beneficial interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 March 2010.

As the Group is engaged in the provision of financial services, the directors are of the opinion that giving information on counterparties would be limited or of no value.

RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF" Scheme) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 23 to 28 of this annual report.

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 on the same day.

Save as disclosed above, the Company has not changed the auditors in the precedent three years.

A resolution for the re-appointment of SHINEWING as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Ng Cheuk Fan, Keith
Managing Director

Hong Kong, 28 July 2010

CORPORATE GOVERNANCE

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

The Company's corporate governance practices are based on the principles (the "Principles" and the code provisions ("the Code Provision") of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company had complied the Principles and the Code Provisions throughout the year under review.

(A) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors who were in office during the financial year ended 31 March 2010, they have confirmed that they have complied with the Model Code during the year.

(B) BOARD OF DIRECTORS

(1) Composition of the Board, number of Board meetings and Directors' attendance

The Board has a balance of skills and experience and a balanced composition of executive and non-executive Directors. As at the date of this report, the Board is comprised of seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. Nine Board meetings were held during the year ended 31 March 2010. The composition of the Board and attendance of the Directors are set out below:

Directors	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Nomination Committee Meetings
Non-Executive Director				
WONG Kam Fat Tony *(Chairman)*	5/5	N/A	N/A	N/A
Executive Directors				
Sun Tak Yan Desmond	2/4	N/A	N/A	N/A
NG Cheuk Fan Keith	9/9	2/2	N/A	2/2
YEUNG Kwok Leung	9/9	N/A	N/A	N/A
HON Chun Yu	2/2	N/A	N/A	N/A
Independent Non-Executive Directors				
NG Kay Kwok[1]	7/9	2/2	2/2	2/2
LAM Ka Wai Graham[2]	6/9	2/2	2/2	2/2
TAM B Ray Billy[3]	9/9	2/2	2/2	2/2

Nots:

1 Chairman of Audit Committee

2 Chairman of Remuneration Committee

3 Chairman of Nomination Committee

The biographical details of all Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Save as disclosed, none of the Directors has any relationship including financial, business, family or other material relationship with each other.

To comply with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors whom the Company considers to have appropriate professional qualifications or accounting or related financial management experience and qualifications to carry out their duties. The Company has received from each of the independent non-executive Director an annual confirmation of his independence as required under Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

(2) Operation of the Board

The Board is circulated with relevant information pertaining to matters to be brought before the Board for decision. A 14 days minimum notice is also given to the Directors before each board meeting. Board papers are dispatched to the Directors at least 3 days before the meeting.

The 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 accessed 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.

There is a clear division of responsibilities between the Board and the management of the Company (the "Management"). Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the Management. Important matters including but not limited to those affecting the Group's strategic policies, major acquisitions and disposals, annual budgets, approving annual and interim results, and other significant operational and financial matters.

(C) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Kam Fat, Tony and Mr. Ng Cheuk Fan, Keith were appointed as the Chairman and the Managing Director of the Company, 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 is of the view 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 the Managing Director is to work closely with the 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.

(D) NON-EXECUTIVE DIRECTORS

During the year under review, each of the non-executive Director and independent non-executive Director has entered into letter of appointment with the Company for a term of one year and all subject to retirement by rotation pursuant to the Articles of Association.

(E) REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "Remuneration Committee") was established in October 2005 and comprises three independent non-executive Directors, namely Mr. Lam Ka Wai Graham (Chairman of the Remuneration Committee), Mr. Ng Kay Kwok, Mr. Tam B Ray Billy and Mr. Ng Cheuk Fan Keith, the Managing Director of the Company. The terms of reference of the Remuneration Committee are aligned with the provision set out in the Code. The main duties of the Remuneration Committee include:

(a) To consider the Company's policy and structure for all remuneration of Directors and senior management of the Company ("the Senior Management");

(b) To determine the specific remuneration packages of all executive Directors and the Senior Management and make recommendation to the Board of the remuneration of the non-executive Directors;

(c) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) To review and approve the compensation payable to executive Directors and the Senior Management in connection with any loss or termination of their office or appointment; and

(e) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

During the year under review, the Remuneration Committee held two meetings to make recommendation of remuneration package to the newly appointed executive Director and non-executive Director.

(F) NOMINATION OF DIRECTORS

The nomination committee of the Company (the "Nomination Committee") was established in December 2007 and comprises three independent non-executive Directors, namely Mr. Tam B Ray Billy (Chairman of the Nomination Committee), Mr. Lam Ka Wai Graham, Mr. Ng Kay Kwok, and Mr. Ng Cheuk Fan Keith, the Managing Director of the Company. It adopts the recommended terms of reference set out in the Code. The main duties of the Nomination Committee include:

(a) To review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) To assess the independence of independent non-executive Directors with regard to the requirements under the Listing Rules; and

(d) To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

The Nomination Committee identifies and nominates qualified individual to the Board for consideration. All newly appointed Directors are subject to re-election by the Shareholders at the AGM or at the next following general meeting of the Company immediately following his or her appointment pursuant to the Articles of Association. In considering the new appointment or re-nomination of Directors, the Nomination Committee will focus their decisions based on attributes such as integrity, industry experience and professional and technical skills together with the ability to contribute time and afford to carry out their duties effectively and responsibly.

During the year under review, the Nomination Committee held 2 meetings to consider and approve the nomination of executive Director and non-executive Director.

(G) AUDITOR'S REMUNERATION

For the year ended 31 March 2010, the auditors' remuneration paid or payable in respect of the audit and other non-audit services provided by the auditors to the Group were as follows:

	HK$
Audit services	663,000
Non-audit related services	
– Other professional services	575,000

(H) AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in April 2001 and comprises three independent non-executive Directors, namely, Mr. Ng Kay Kwok (Chairman of the Audit Committee), Mr. Tam B Ray Billy and Mr. Lam Ka Wai, Graham. The terms of reference of the Audit Committee are aligned with the provision set out in the Code. The main duties of the Audit Committee include:

(a) to consider the appointment of the external auditor and any question of resignation or dismissal;

(b) to review the financial information of the Group; and

(c) to oversee the Group's financial reporting system and internal controls procedures

(d) to maintain an appropriate relationship with the Group external auditor

During the year under review, the Audit Committee held two meetings to consider and approve the following:

(a) review of the half-year and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the Audit Committee;

(b) To discuss the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management; and

(c) To review the accounting principles and practices adopted by the Group and other financial reporting matters

(I) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for the financial year ended 31 March 2010 which give a true and fair view of the affairs of the Group and of the Group's results and cash flow and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 March 2010, the Directors have selected appropriate accounting policies and applied them consistently; made prudent and reasonable judgments and estimates; and have prepared the financial statements on a going concern basis.

(J) INTERNAL CONTROLS

The Board acknowledges its responsibilities for the Group's internal control system and has reviewed its effectiveness to ensure that all internal control measures are in place to safeguard the Group's assets and to comply with relevant regulations and best practices.

(K) LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers.

(L) 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 the 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 AGM as an important event as it provides an opportunity for direct communication between the Board and the Shareholders. The Directors, external auditor and committee members are available to answer questions on the business. Notice of general meetings together with relevant circular and annual report were dispatched to the Shareholders and they are encouraged to attend the AGM.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CHINA FORTUNE GROUP LIMITED
中國富強集團有限公司
(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 31 to 105 which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2010 and of the Group's loss and cash flows 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
Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
28 July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	7	**80,488**	10,676
Cost of securities and futures brokerage and margin financing		**(23,276)**	(3,590)
Other revenue	9	**13,176**	2,188
Depreciation and amortisation		**(3,023)**	(725)
Salaries and allowances		**(26,926)**	(6,304)
Reversal of impairment loss on investment deposits		**3,500**	8,500
Change in fair value of financial assets designated as fair value through profit or loss		**–**	24,800
Loss on disposal of investment held for trading		**(1,002)**	–
Change in fair value of derivative component of convertible loan note	35	**(18,525)**	–
Discounts on acquisitions of subsidiaries		**–**	863
Discounts on acquisition of additional equity interest in a subsidiary		**4,616**	–
Gain on disposal of subsidiaries		**–**	61
Gain on deemed disposal of partial interests in a subsidiary		**–**	17
Other operating and administrative expenses		**(37,238)**	(16,490)
Finance costs	10	**(15,454)**	(4,080)
(Loss) profit before taxation	11	**(23,664)**	15,916
Taxation	12	**(4,491)**	(115)
(Loss) profit for the year and other comprehensive (expenses) income for the year from continuing operations		**(28,155)**	15,801
Discontinued operation			
Profit (loss) and other comprehensive income (expenses) for the year from discontinued operation	15	**6,732**	(88)
Total comprehensive (expenses) income for the year		**(21,423)**	15,713
Attributable to:			
Owners of the Company		**(23,711)**	16,224
Minority interests		**2,288**	(511)
		(21,423)	15,713
(Loss) earnings per share	16	**HK cents**	HK cents
From continuing and discontinued operations			
Basic		**(2.24)**	3.23
Diluted		**(2.24)**	3.22
From continuing operations			
Basic		**(2.88)**	3.25
Diluted		**(2.88)**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Plant and equipment	17	**5,829**	4,792
Intangible assets	18	**19,813**	980
Other non-current assets	19	**1,832**	2,262
Deferred tax	33	**–**	61
Goodwill	20	**–**	2,554
Available-for-sale financial assets	21	**2,200**	–
		29,674	10,649
Current assets			
Investments held for trading	22	**1,170**	442
Trade receivables	23	**351,389**	90,320
Other receivables, deposits and prepayments	24	**15,384**	15,638
Investment deposits	25	**66,619**	42,407
Amount due from a minority shareholder of a subsidiary	26	**500**	125
Amounts due from directors	27	**1,340**	776
Bank balances and cash – trust	28	**112,409**	60,211
Bank balances and cash – general	28	**34,052**	22,138
		582,863	232,057
Assets classified as held for sale	15	**72,575**	–
		655,438	232,057
Current liabilities			
Bank overdrafts	28	**24**	–
Trade payables, other payables and accruals	29	**146,101**	83,139
Derivative component of convertible loan note	35	**63,084**	–
Other borrowings	30	**172,800**	–
Amounts due to directors	31	**81**	10
Provision	32	**940**	940
Tax payable		**3,506**	850
		386,536	84,939
Liabilities associated with assets held for sale	15	**39,052**	–
		425,588	84,939
Net current assets		**229,850**	147,118
Total assets less current liabilities		**259,524**	157,767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	34	**140,067**	75,607
Reserves		**12,598**	29,313
Equity attributable to owners of the Company		**152,665**	104,920
Minority interests		**165**	29,781
Total equity		**152,830**	134,701
Non-current liability			
Convertible loan notes	35	**106,694**	23,066
		259,524	157,767

The consolidated financial statements on pages 31 to 105 were approved and authorised for issue by the board of directors on 28 July 2010 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 2010

	Attributable to owners of the Group										
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Share warrants reserve HK$'000	Convertible loan notes equity reserve HK$'000	Special reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008	46,407	233,184	1,208	–	–	13,524	1,863	(275,150)	21,036	–	21,036
Total comprehensive income 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)
Acquisition of subsidiaries (Note 37)	–	–	–	–	–	–	–	–	–	30,059	30,059
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	250	250
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
Deemed disposal of partial interests in a subsidiary	–	–	–	–	–	–	–	–	–	(17)	(17)
Issue of remuneration shares	1,200	–	–	–	–	–	–	–	1,200	–	1,200
Recognition of equity-settled share based transaction	–	–	–	552	–	–	–	–	552	–	552
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 STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to owners of the Group										
	Share capital HK$'000	**Share premium** HK$'000	**Share options reserve** HK$'000	**Share warrants reserve** HK$'000	**Convertible loan notes equity reserve** HK$'000	**Special reserve** (Note a) HK$'000	**Capital reserve** (Note b) HK$'000	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 April 2009	75,607	244,634	1,208	552	26,458	13,524	1,863	(258,926)	104,920	29,781	134,701
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(23,711)	(23,711)	2,288	(21,423)
Acquisition of additional equity interest in subsidiaries	–	–	–	–	–	–	–	–	–	(32,279)	(32,279)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	375	375
Recognition of equity component of convertible loan notes	–	–	–	–	15,510	–	–	–	15,510	–	15,510
Conversion of convertible loan notes	63,900	3,882	–	–	(13,179)	–	–	–	54,603	–	54,603
Reduction on convertible loan notes to set off profit guarantee by holder	–	–	–	–	(703)	–	–	75	(628)	–	(628)
Issue of shares upon exercise of share options	560	2,004	(593)	–	–	–	–	–	1,971	–	1,971
At 31 March 2010	140,067	250,520	615	552	28,086	13,524	1,863	(282,562)	152,665	165	152,830

Notes:

(a) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition under the corporate reorganisation of the Group.

(b) The capital reserve represents the contributions made by the then controlling shareholder under the corporate reorganisation of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation for:			
Continuing operations		**(23,664)**	15,916
Discontinued operation		**6,732**	(88)
		(16,932)	15,828
Adjustments for:			
Changes in fair value of derivative component of convertible loan note		**18,525**	–
Finance costs		**15,454**	4,162
(Gain) loss on fair value changes of investments held for trading		**(728)**	2,313
Equity-settled share based payment		**–**	1,752
Loss on disposal of investment held for trading		**1,002**	–
Depreciation of plant and equipment		**2,366**	800
Amortisation of intangible assets		**667**	–
Discount on acquisition of additional equity interest in a subsidiary		**(4,616)**	–
Write off of investment deposits		**100**	–
Impairment loss recognised in respect of trade receivable		**–**	66
Impairment loss recognised in respect of amount due from a related company		**–**	13
Impairment loss recognised in respect of amount due from an associate		**–**	12
Impairment loss recognised in respect of other receivables		**–**	108
Reversal of impairment loss on investment deposits		**(3,500)**	(8,500)
Profit guarantee compensation		**(3,087)**	–
Gain on disposal of investments held for trading		**–**	(1)
Gain on deemed disposal of partial interests in a subsidiary		**–**	(17)
Gain on disposal of subsidiaries		**(6,234)**	(61)
Gain on disposal of plant and equipment		**–**	(29)
Reversal of impairment loss in respect of trade receivables		**(459)**	–
Write back of long outstanding trade payables, other payables and accruals		**(247)**	(95)
Interest income		**(4)**	(124)
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		**2,307**	(10,326)
(Increase) decrease in other non-current assets		**(102)**	10
Increase in trade receivables		**(303,398)**	(41,130)
Increase in other receivables, deposits and prepayments		**(12,316)**	(3,114)
Increase in amounts due from directors		**(564)**	(350)
Increase in bank balances and cash – trust		**(68,740)**	(13,642)
Increase in trade payable, other payables and accruals		**108,272**	13,753
Increase in provision		**–**	940
Cash used in operations		**(274,541)**	(53,859)
Income taxes paid		**(1,504)**	(27)
NET CASH USED IN OPERATING ACTIVITIES		**(276,045)**	(53,886)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Increased in investment deposits		**(20,812)**	(33,907)
Purchase of intangible assets		**(8,341)**	–
Purchase of plant and equipment		**(3,494)**	(3,349)
Purchase of available-for-sale financial assets		**(2,200)**	–
Net cash outflow from investment held for trading		**(1,002)**	–
Advance to a minority shareholder of a subsidiary		**(375)**	(125)
Net cash outflow in respect of the disposal of subsidiaries		**(44)**	(1)
Profit guarantee compensation		**3,087**	–
Interest received		**4**	124
Proceeds from disposal of financial assets designated at fair value through profit or loss		**–**	60,800
Decrease in pledged bank deposits		**–**	2,196
Net cash inflow in respect of the acquisitions of subsidiaries		**–**	1,711
Proceeds from disposal of plant and equipment		**–**	250
Proceeds from disposal of investments held for trading		**–**	30
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(33,177)**	27,729
FINANCING ACTIVITIES			
Other borrowings raised		**202,300**	–
Proceeds from issue of convertible loan notes		**160,000**	50,000
Proceeds from issue of new shares upon exercise of share options		**1,971**	–
Capital contribution from a minority shareholder of a subsidiary		**375**	250
Advance from directors		**71**	10
Interest paid		**(3,362)**	(3,335)
Repayment of borrowings		**(29,500)**	(29,735)
Proceeds from issue of new shares		**–**	20,000
Payment for convertible loan notes issue expenses		**–**	(1,250)
Payment for share issue expenses		**–**	(550)
Repayment of obligations under finance leases		**–**	(469)
Interest paid on obligations under finance leases		**–**	(53)
NET CASH FROM FINANCING ACTIVITIES		**331,855**	34,868
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,633**	8,711
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**22,138**	13,427
		44,771	22,138
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by			
Bank balances and cash – general (Note 28)		**44,795**	22,138
Bank overdrafts		**(24)**	–
		44,771	22,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. GENERAL

China Fortune Group Limited (the "Company") was incorporated in Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are 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 and margin financing.

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

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation ("INT") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – INT 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

In addition, in the current year, the Group has elected to early adopt the amendment to HKFRS 5 as part of improvements to HKFRSs 2009 (adopted in advance of effective date of 1 January 2010).

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

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Early adoption of amendment to HKFRS 5 as part of Improvements to HKFRSs 2009

The amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First Time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First – time Adopters[7]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[7]

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

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2010.
[5] Effective for annual periods beginning on or after 1 February 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 July 2010.
[8] Effective for annual periods beginning on or after 1 January 2013.

The adoption 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 a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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.

(b) Transaction with minority interests

Goodwill arising on acquisition of additional interests in subsidiaries is recognsied as an asset and initially measured at cost, being the excess of the consideration over the carrying value of the identifiable assets, liabilities and contingent liabilities recognised attributable to the additional interests in subsidiaries being acquired.

Discount on acquisition arising on the acquisition of additional interests in subsidiaries represents the carrying value of the identifiable assets, liabilities and contingent liabilities attributable to the additional interests in subsidiaries being acquired as at the date of acquisition, over the consideration. Discount on acquisition arising on the acquisition of additional interests in subsidiaries is recognised in the consolidated statement of comprehensive income immediately.

(c) 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 acquirees' 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

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.

(d) Goodwill

Goodwill arising on an acquisition of a business 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.

Goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated statement of financial position.

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 loss 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 loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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.

Discount arising on an acquisition of a subsidiary 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 acquisition, after reassessment. Such discount is recognised immediately in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and 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).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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).

(f) Plant and equipment

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 plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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 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 profit and loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

(i) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 ("FVTPL") 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 to the net carrying amount on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL represent the financial assets held for trading. 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.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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 the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from a minority shareholder of a subsidiary/directors and bank balances and cash – general) are carried at amortised cost using the effective interest method, less any identified impairment losses.(see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loan and receivables.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measure at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

Financial assets *(Continued)*

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other 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 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

***Financial assets** (Continued)*

***Impairment loss on financial assets** (Continued)*

The carrying amount of the financial asset is reduced by the impairment loss 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.

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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 generally classified in financial liabilities at FVTPL and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL

A financial liability may be designated as at FVTPL upon initial recognition if:

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

– the financial liability 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

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to the designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement 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 interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accruals, amounts due to directors, bank overdrafts and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option and derivative (which is not closely related to host liability component) 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. At the date of issue, both the liability and derivative components are measured at fair value.

The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability and derivative respectively, 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 derivative component is measured at fair value with changes in fair value recognised in profit or loss.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivative embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value with changes in fair value recognised in profit in loss.

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 other comprehensive income 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.

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

At the end of each reporting period, 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 loss. 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 loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided 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/securities handling income and management fees income are recognised when the services are provided.

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 on initial recognition.

(l) 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 profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued 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. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to directors and employees of the Company after 7 November 2002 and vested after 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 the end of the reporting period, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) Remuneration shares

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

The fair value of shares 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 statement of comprehensive income. At the time when the vesting conditions of these shares are fulfilled, share capital for the par value of the shares issued.

(o) 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 statement of comprehensive income 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 end of the reporting period.

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. 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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, based on tax rate (or tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(p) 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 the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that 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.

(q) 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 best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows (where the effect is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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

Rental income from operating leases is recognised in profit or loss 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 statement of financial position 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.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(s) Borrowing costs

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

(t) Retirement benefit costs

Payments to the defined contribution Mandatory Provident Fund Scheme are charged as an expense when the employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Impairment loss recognised in respect of trade receivables

The policy for impairment loss 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 loss for trade receivable for the year ended 31 March 2009 of approximately HK$66,000 (2010: nil) was recognised.

Impairment loss 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 at 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 (2010: nil) was recognised.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Useful lives and impairment assessment of plant and equipment

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. 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 evaluation 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 statement of comprehensive income.

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 2010, the carrying amount of intangible assets was approximately HK$19,813,000 (2009: 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 loss may arise. As at 31 March 2009, the carrying amount of goodwill is HK$2,554,000 (2010: nil). Details of the impairment testing on goodwill are set out in note 20.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of other assets (including available-for-sale financial assets and investment deposits)

The management determines the impairment loss 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 litigation in respect of the compensation for damage incurred to the rented premise. Provision on the possible obligation has been made based on management's best estimates and judgments together with the legal advice.

Fair value of derivatives

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instrument, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

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 other borrowings disclosed in Note 30 and convertible loan notes disclosed in Note 35, cash and cash equivalents and equity attributable to owners 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 2010 and 2009.

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

	2010 **HK$'000**	2009 HK$'000
Financial assets		
– Loans and receivables (including cash and cash equivalents)	**407,534**	128,302
– Available-for-sale financial assets	**2,200**	–
– Investments held for trading	**1,170**	442
Financial liabilities		
– Designated at FVTPL	**63,084**	–
– At amortised cost	**425,700**	106,215

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, investments held for trading, trade receivables, other receivables and deposits, amounts due from directors/a minority shareholder of a subsidiary, bank balances and cash-general, bank overdrafts, other borrowings, trade payables, other payables and accruals and convertible loan notes. 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 expose 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 at the reporting date are as follows:

	Assets	
	2010	2009
	HK$'000	HK$'000
Renminbi ("RMB")	**643**	–
United States Dollars ("USD")	**131**	4,446

More than 90% of financial assets and financial liabilities of the Group are denominated in HK$ and the remaining is denominated in RMB and 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$ and RMB/HK$ exchange rates and insignificant exposure of other foreign currencies as at the end of the reporting period. 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. It is the Group's policy to keep its assets and liabilities at floating rate of interests so as to minimise the 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

	2010 HK$'000	2009 HK$'000
Assets		
– Trade receivables		
– cash clients	**36,076**	8,633
– margin clients	**301,725**	72,744
– Amounts due from directors	**1,340**	776
– Bank balances and cash – general	**23,254**	22,138
Liabilities		
– Bank overdrafts	**24**	–
– Other borrowings	**56,800**	–

The sensitivity analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 March 2010, if the interest rate of borrowings and trade receivables from cash and margin clients had been 100 (2009: 100) basis point higher/lower, the Group's loss for the year would increase/decrease by approximately HK$2,827,000 (2009: decrease/increase in profit for the year of approximately HK$728,000).

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. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

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% (2009:5%) higher/lower:

– loss for the year ended 31 March 2010 would decrease/increase by approximately HK$58,000 as a result of the changes in fair value of investments held for trading. In 2009, the Group's profit for the year would increase/decrease by approximately HK$22,000.

6. FINANCIAL INSTRUMENTS (Continued)

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

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 end of the reporting period, based on the contracted undiscounted payments, the table include both interest and principal cash flow was as follows:

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amounts at 31 March
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010					
Non-derivative financial liabilities					
Trade payables, other payables and accruals	146,101	–	–	146,101	146,101
Amounts due to directors	81	–	–	81	81
Bank overdrafts	24	–	–	24	24
Other borrowings	178,838	–	–	178,838	172,800
Convertible loan notes	–	28,000	121,960	149,960	106,694
	325,044	28,000	121,960	475,004	425,700
2009					
Non-derivative financial liabilities					
Accounts payable, other payables and accruals	83,139	–	–	83,139	83,139
Amounts due to directors	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)

Credit risk

As at 31 March 2010, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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.

The Group's concentration of credit risk by geographical locations is mainly in the Hong Kong, which accounted for 100% (2009: 100%) of the total trade receivable as at 31 March 2010.

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

(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 directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets at FVTPL			
– Listed securities listed in Hong Kong	1,170	–	1,170
Financial liabilities at FVTPL			
– Derivative financial liabilities	–	63,084	63,084

There were no transfers between Levels 1 and 2 during the current year.

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:

	2010 HK$'000	2009 HK$'000
Income from securities, futures and insurance brokerage business	**63,804**	8,847
Margin interest income from securities and futures brokerage business	**16,684**	1,829
	80,488	10,676

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operation decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

For management purposes, the Group is currently organised into a single as securities, futures and insurance brokerage and margin financing in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business and geographical information is presented.

On 31 January 2010, the Group completed disposal of two operating divisions which were engaged in (i) electrical engineering contracting and (ii) sale of electrical goods, as set out in note 39(a).

Each of these discontinued operations was reported as a separate business segment under HKAS 14. For HKFRS 8 reporting purposes, on the basis of internal reports reviewed by the chief operating decision maker, these discontinued operations did not constitute separate operating segments.

For both years ended 31 March 2010 and 2009, the Group did not have any customers with whom transactions had exceed 10% of the Group's aggregate revenue during the year.

9. OTHER REVENUE

	2010 **HK$'000**	2009 HK$'000
Continuing operations		
Management fees income	**6,061**	–
Profit guarantee compensation	**3,087**	–
Handling charges	**498**	38
Interest income	**4**	110
Write back of long outstanding trade payables, other payables and accruals	**247**	–
Net exchange gain	**–**	723
Gain on disposal of plant and equipment	**–**	114
Gain on disposal of investment held for trading	**–**	1
Gain on fair value changes of investments held for trading	**728**	–
Write back of long outstanding amount due to a related company	**–**	890
Reversal of impairment loss recognised in respect of trade receivables	**459**	–
Sub-letting income	**2,004**	308
Sundry income	**88**	4
	13,176	2,188

10. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Continuing operations		
Interest on:		
Bank overdrafts	**75**	–
Other borrowings	**3,287**	3,262
Obligations under finance lease	**–**	44
Imputed interest expenses on convertible loan notes (Note 35)	**12,092**	774
	15,454	4,080

11. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging:

	2010 HK$'000	2009 HK$'000
Continuing operations		
Auditor's remuneration		
– current year	**638**	474
– under-provision in prior years	**25**	–
	663	474
Depreciation of property, plant and equipment		
– owned assets	**2,356**	610
– assets held under finance lease	**–**	115
	2,356	725
Amortisation of intangible assets	**667**	–
Total staff costs:		
– directors' remuneration (Note 13(a))	**3,316**	1,973
– salaries and allowance	**22,765**	4,154
– retirement benefit scheme contributions (excluding directors)	**845**	177
	26,926	6,304
Operating lease in respect of rented premises	**12,981**	1,799
Equity-settled share based payment		
– issue of remuneration shares	**–**	1,200
– issue of share warrants	**–**	552
	–	1,752
Impairment loss recognised in respect of		
– trade receivables	**–**	66
– other receivables	**–**	108
– amount due from an associate	**–**	12
– amount due from a related company	**–**	13
Write off of investment deposits	**100**	–

12. TAXATION

	2010 HK$'000	2009 HK$'000
Continuing operations		
Current taxation		
Hong Kong Profits tax		
– Provision for the year	**4,491**	92
– Under-provision for prior years	**–**	27
Deferred tax		
– Credit for the year	**–**	(4)
Taxation for the year	**4,491**	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 was calculated at 16.5% of the estimated assessable profit for the years ended 31 March 2010 and 2009.

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

	2010 HK$'000	2009 HK$'000
(Loss) profit before taxation from continuing operations:	**(23,664)**	15,916
Tax at domestic income tax rate of 16.5%	**(3,905)**	2,626
Tax effect of expenses not deductible for tax purposes	**10,436**	2,411
Tax effect of income not taxable for tax purpose	**(1,853)**	(5,721)
Utilisation of tax losses previously not recognised	**(1,154)**	(15)
Tax effect of tax losses not recognised	**967**	787
Under-provision for prior years	**–**	27
Taxation for the year	**4,491**	115

Details of deferred tax are set out in Note 33.

13. DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS

a) Directors' emoluments

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

	Directors' fees	Other emoluments: Salaries, allowances and other benefits in kind	Other emoluments: Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2010				
Executive directors:				
NG Cheuk Fan, Keith	140	1,110	12	1,262
SUN Tak Yan, Desmond[1]	182	50	–	232
YEUNG Kwok Leung	130	1,020	12	1,162
HON Chun Yu[2]	100	–	–	100
Non-executive directors:				
WONG Kam Fat, Tong[3]	209	–	–	209
Independent non-executive directors:				
LAM Ka Wai, Graham	117	–	–	117
NG Kay Kwok	117	–	–	117
TAM B Ray Billy	117	–	–	117
	1,112	2,180	24	3,316
For the year ended 31 March 2009				
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

1 Resigned on 11 September 2009
2 Appointed on 22 January 2010
3 Appointed on 11 September 2009

13. DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS (Continued)

a) Directors' emoluments (Continued)

There was no arrangement under which directors waived or agreed to waive any emoluments during the two years ended 31 March 2010 and 2009. No emoluments were paid to the director as inducement to join or upon joining the Group or as consumption for loss of office.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, none (2009: three) was directors of the Company whose emoluments are set out above. The emoluments of the five (2009: two) highest paid individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and other benefits in kind	**3,217**	1,451
Performance related incentive payments	**9,798**	–
Retirement benefits scheme contributions	**33**	59
	13,048	1,510

The emoluments of the five (2009: two) highest paid employees fall in the following bands

	Number of individuals	
	2010	2009
Emoluments bands		
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	–
	5	2

During the two years ended 31 March 2010 and 2009, no emoluments were paid to the five highest individuals as inducement to join or upon joining the Group 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 2010 and 2009.

15. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE

On 24 November 2009, the Company entered into a sales and purchase agreement for the sale of the entire issued share capital in Yew Sang Hong (BVI) Limited and its subsidiary ("YSH Group") to Mr. Lai Sai Sang, a director of Yew Sang Hong (BVI) Limited for a consideration of HK$10,000. The disposal was completed on 31 January 2010, on which date the control of the YSH Group was passed to the acquirer. The YSH Group was engaged in the provision of electrical engineering contracting and sale of electrical goods. Following the disposal, these segments were regarded as discontinued operations accordingly.

On 16 October 2009, Fortune Financial (Holdings) Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Faith Star Asia Limited ("Faith Star"), an independent third party to the Group, whereby subject to certain conditions, the Group has agreed to sell and Faith Star has agreed to buy the entire interests in Excalibur Securities Limited ("ESL") for a consideration of HK$5,000,000 plus the net asset value of ESL as at the date of completion of the disposal.

The disposal was approved by the shareholders of the Company in the extraordinary general meeting held on 13 January 2010. Pursuant to which the assets and liabilities attributable to ESL have then been classified as held for sale and are presented separately in the consolidated statement of financial position with further details set out as follows.

The profit (loss) for the year from the discontinued operation is analysed as follows:

	2010 **HK$'000**	2009 HK$'000
Profit (loss) from electrical engineering contracting	**516**	(4)
Loss from sale of electrical goods	**(18)**	(84)
Gain on disposal of subsidiaries (Note 39)	**6,234**	–
	6,732	(88)

15. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

The results of discontinued operations for the period/year are as follows:

	Electrical engineering contracting		Sale of electrical goods		Total	
	Period ended 31/1/2010 HK$'000	Year ended 31/3/2009 HK$'000	**Period ended 31/1/2010 HK$'000**	Year ended 31/3/2009 HK$'000	**Period ended 31/1/2010 HK$'000**	Year ended 31/3/2009 HK$'000
Turnover	**483**	4,280	**1**	721	**484**	5,001
Cost of sales and services rendered	**(33)**	(1,081)	**(1)**	(691)	**(34)**	(1,772)
Gross profit	**450**	3,199	**–**	30	**450**	3,229
Other revenue	**916**	166	**3**	109	**919**	275
Other operating and administrative expenses	**(850)**	(3,297)	**(21)**	(213)	**(871)**	(3,510)
Finance costs	**–**	(72)	**–**	(10)	**–**	(82)
Profit (loss) before tax from discontinued operations	**516**	(4)	**(18)**	(84)	**498**	(88)
Taxation	**–**	–	**–**	–	**–**	–
Profit (loss) for the period/year	**516**	(4)	**(18)**	(84)	**498**	(88)
Profit (loss) for the year from discontinued operations include the following:						
Depreciation of plant and equipment	**10**	12	**–**	63	**10**	75
Loss on disposal of plant and equipment	**–**	–	**–**	85	**–**	85
Write back of long outstanding trade payables, other payables & accruals	**–**	(85)	**–**	(10)	**–**	(95)
Staff costs	**355**	2,126	**–**	–	**355**	2,126
Retirement benefits scheme contributions	**17**	84	**–**	–	**17**	84

15. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

The cash flows of the discontinued operations were as follows:

	2010 HK$'000	2009 HK$'000
Net cash inflow from operating activities	**254**	(708)
Net cash outflow from investing activities	**–**	297
Net cash inflow from financing activities	**(321)**	2,451
Total cash (outflow) inflow	**(67)**	2,040

No income tax charge or credit arose from the loss on the disposal of the electrical engineering contracting and sale of electrical goods.

The carrying amounts of assets and liabilities of the YSH Group at the date of disposal are disclosed in Note 39.

The major classes of assets and liabilities of the ESL as at 31 March 2010, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Plant and equipment	69
Intangible assets	500
Other non-current assets	532
Deferred tax assets	61
Trade receivables	42,749
Other receivables, deposits and prepayments	1,379
Bank balances and cash – trust	16,542
Bank balances and cash – general	10,743
Total assets reclassified as held for sale	72,575
Trade payables, other payables and accruals	38,978
Tax payable	74
Total liabilities associated with assets classified held for sale	39,052

16. (LOSS) EARNINGS PER SHARE

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

	2010 HK$'000	2009 HK$'000
(Loss) earnings for the purpose of both basic and diluted earnings per share	**(23,711)**	16,224

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

	2010 '000	2009 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,056,231**	501,671
Effect of dilutive potential ordinary shares:		
– Share warrants	**–**	1,414
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,056,231**	503,085

From continuing operations

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

	2010 HK$'000	2009 HK$'000
(Loss) profit for the year attributable to owners of the Company	**(23,711)**	16,224
Less: (profit) loss for the period/year from discontinued operation (Note 15)	**(6,732)**	88
(Loss) profit for the year for the purpose of basic (loss) earnings per share from continuing operations	**(30,443)**	16,312

The denominators used are the same as those detailed above for basic (loss) earnings per share.

16. (LOSS) EARNINGS PER SHARE (Continued)

From discontinued operation

Basic earning per share for the discontinued operation was HK0.01 cents per share (2009: loss of HK0.00 cents), based on the profit for the year from the discontinued operation attributable to the owners of the Company of approximately HK$6,732,000 (2009: loss of HK$88,000) and the denominators detailed above for basic loss per share.

The calculation of diluted (loss) earnings per share for the two years ended 31 March 2010 and 2009 did not assume the exercise of the Company's share options as exercise price of the options was higher than the average market price for shares.

The calculation of loss per share for the two years ended 31 March 2010 and 2009 does not assume the conversion of the convertible loan notes since their conversion would result in a decrease in loss per share (2009: increase in earning per share).

The calculation of loss per share for the year ended 31 March 2010 does not assume the exercise of the Company's warrants since their exercise would result in a decrease in loss per share.

17. PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 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	(251)	(595)	(615)	(1,355)	(2,816)
At 31 March 2009 and 1 April 2009	2,559	1,213	4,258	2,135	10,165
Additions	421	30	920	2,123	3,494
Reclassified as assets held for sale	(170)	–	(129)	–	(299)
Disposal of subsidiaries	(365)	(1,063)	(1,805)	(477)	(3,710)
At 31 March 2010	2,445	180	3,244	3,781	9,650

17. PLANT AND EQUIPMENT (Continued)

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ACCUMULATED DEPRECIATION					
At 1 April 2008	613	1,644	3,417	1,494	7,168
Provided for the year	94	13	101	592	800
Eliminated on disposal	(251)	(581)	(569)	(1,194)	(2,595)
At 31 March 2009 and 1 April 2009	456	1,076	2,949	892	5,373
Provided for the year	964	43	744	615	2,366
Reclassified as assets held for sale	(170)	–	(60)	–	(230)
Eliminated on disposal of subsidiaries	(365)	(1,063)	(1,783)	(477)	(3,688)
At 31 March 2010	885	56	1,850	1,030	3,821
CARRYING VALUES					
At 31 March 2010	1,560	124	1,394	2,751	5,829
At 31 March 2009	2,103	137	1,309	1,243	4,792

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

Leasehold improvements	Over the lease term
Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%

18. INTANGIBLE ASSETS

	Trading rights HK$'000	Trading software HK$'000	Total HK$'000
COST			
At 1 April 2008	–	–	–
Arising on acquisition of subsidiaries	980	–	980
At 31 March 2009 and 1 April 2009	980	–	980
Additions	–	20,000	20,000
Reclassified as assets held for sale	(500)	–	(500)
At 31 March 2010	480	20,000	20,480
ACCUMULATED AMORTISATION			
At 1 April 2008, 31 March 2009 and 1 April 2009	–	–	–
Provided for the year	–	667	667
At 31 March 2010	–	667	667
CARRYING VALUES			
At 31 March 2010	480	19,333	19,813
At 31 March 2009	980	–	980

The trading rights represent the trading rights on the Stock Exchange and the Hong Kong Futures Exchange with indefinite useful life.

The trading software has definite useful life. Such software is amortised on a straight line basis over 5 years.

The directors of the Company carried out impairment test based on the recent market price of the trading right which indicate that no impairment losses was necessary for both years ended 31 March 2010 and 2009.

19. OTHER NON-CURRENT ASSETS

	2010	2009
	HK$'000	HK$'000
At cost:		
Deposits paid to the Stock Exchange		
– Compensation fund deposits	**50**	202
– Fidelity fund deposits	**50**	150
– Stamp duty deposits	**75**	60
– Membership deposits	**1,500**	1,500
– Statutory deposit	**57**	50
Deposits paid to Hong Kong Securities Clearing Company Limited		
– Guarantee fund contribution	**50**	150
– Admission fees	**50**	150
	1,832	2,262

20. GOODWILL

	HK$'000
Cost	
At 1 April 2008	–
Arising on acquisition of a subsidiary	2,554
At 31 March 2009 and 1 April 2009	2,554
Arising on acquisition of additional equity interest in a subsidiary	1,337
Adjustment to measurement of consideration for acquisitions (note)	(3,891)
At 31 March 2010	–
Carrying value	
At 31 March 2010	–
At 31 March 2009	2,554

The goodwill was arising on the acquisition of 49% additional equity interest in ESL on 17 February 2009. For the purpose of impairment testing, goodwill has been allocated to the cash generating units ("CGU") of ESL and is tested for impairment at least once annually.

20. GOODWILL (Continued)

The Group tests goodwill annually for impairment or more frequently if there are indications that the 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 out by BMI Appraisals Limited, independent qualified valuer not connected with the Group. BMI Appraisals Limited is a member of The Hong Kong Institute of Surveyors and has appropriate qualification and experience. 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 cover a period of 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 ESL. The rate used to discount the Forecasts is 12.88% per annum.

The directors of the Company expected that the securities brokerage businesses would have an average growth rate of 6% per annum which are considered appropriate for the valuation review.

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

Note:

The goodwill was adjusted in the amount of approximately HK$3,891,000 which is attributable to the adjustment to the consideration paid by the Group as a result of the profit guarantee for ESL not being met for the year ended 31 December 2009. Details of the profit guarantee are set out in note 38(a) and note 38(b).

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 **HK$'000**	2009 HK$'000
Unlisted securities		
Equity securities, at cost (Note)	**2,200**	–

Note:

The unlisted investment represents investment in unlisted equity interests in a private entity incorporated in the Hong Kong. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

22. INVESTMENTS HELD FOR TRADING

	2010 HK$'000	2009 HK$'000
Listed investments		
– Equity securities listed in Hong Kong	**1,170**	442

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

23. TRADE RECEIVABLES

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

	2010 HK$'000	2009 HK$'000
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	**36,070**	11,040
– margin clients	**301,809**	72,744
Trade receivables from the business of dealing in futures		
– clearing houses and cash clients	**13,581**	7,974
Trade receivables from other businesses	**65**	160
	351,525	91,918
Less: Impairment loss recognised	**(136)**	(1,598)
	351,389	90,320

As at 31 March 2010, the Group had trade receivables balance of approximately HK$131,000 (2009: HK$4,436,000) which 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.

23. TRADE RECEIVABLES (Continued)

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

	2010 HK$'000	2009 HK$'000
Less than 30 days	**17,026**	16,650
31 to 60 days	**11,146**	893
61 to 90 days	**7,060**	407
Over 90 days	**14,432**	866
	49,664	18,816

Trade receivables to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$3,003,584,000 (2009: HK$319,189,000) 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 2010, included in the total trade receivables, approximately HK$337,808,000 (2009: HK$81,377,000) were interest bearing whereas approximately HK$13,581,000 (2009: HK$10,541,000) were non-interest bearing.

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$36,851,000 (2009: HK$2,992,000) which were past due as at the reporting date for which the Group has not provided for impairment loss.

At 31 March 2010 and 2009, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	2010 HK$'000	2009 HK$'000
Less than 30 days	**4,238**	826
31 to 90 days	**18,181**	1,300
Over 90 days	**14,432**	866
	36,851	2,992

23. TRADE RECEIVABLES (Continued)

Trade receivables that were past due but not impaired relate to a number of independent customers that either have a good track record for repayment with the Group or fully settled the outstanding balances subsequently. 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 loss of trade receivables in aggregate during the year are as follows:

	2010 **HK$'000**	2009 HK$'000
Balance at beginning of the year	**1,598**	747
Arising on acquisition of subsidiaries	**–**	1,308
Amounts written off as uncollectible	**–**	(523)
Reclassified as assets held for sale	**(858)**	–
Disposal of subsidiaries	**(145)**	–
Reversal of impairment loss recognised	**(459)**	–
Recognised impairment loss during the year	**–**	66
Balance at end of the year	**136**	1,598

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$136,000 (2009: HK$1,598,000) were individually impaired of trade debtors who were in financial difficulties. The Group doesn't hold any collateral over these balances.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010 **HK$'000**	2009 HK$'000
Other receivables	**16,831**	6,037
Deposits paid	**2,898**	2,983
Prepayments (note)	**132**	12,354
	19,861	21,374
Less: Impairment losses recognised	**(4,477)**	(5,736)
	15,384	15,638

Note: Included in prepayments of approximately HK$11,659,000 as at 31 March 2009 represents an amount prepaid for acquisition of an advanced specific software for futures contracts trading (note 43).

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	2010 **HK$'000**	2009 HK$'000
Balance at beginning of the year	**5,736**	5,645
Amounts written off as uncollectible	**(1,220)**	(17)
Disposal of subsidiaries	**(39)**	–
Recognised impairment losses during the year	**–**	108
Balance at end of the year	**4,477**	5,736

Included in impairment losses of other receivables are individually impaired who were in financial difficulties with an aggregate balance of approximately HK$4,477,000 (2009: HK$5,736,000).

25. INVESTMENT DEPOSITS

	2010 **HK$'000**	2009 HK$'000
Deposit for formation of a joint venture (Note b)	**5,000**	5,000
Earnest money for acquisition of interest in a People's Republic of China ("PRC") company engaged in software development (Note c)	**–**	3,500
Deposit paid for acquisition of an associate in the PRC engaged in brokerage services for dealing in financial and commodity futures (Note d)	**66,619**	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 interest of a subsidiary engaged in investment and corporate finance advisory, trading of securities and money lending (Note f)	**–**	100
	71,619	50,907
Less: Impairment losses	**(5,000)**	(8,500)
	66,619	42,407

25. INVESTMENT DEPOSITS (Continued)

Notes:

(a) Except for otherwise disclosed, the above deposits are refundable and are 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.

(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 a sum of 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 2010 and 2009, the Group has recovered HK$3,500,000 and HK$8,500,000 respectively. Accordingly, this amount of the provision for impairment was reversed and credited to the consolidated statement of comprehensive income.

(d) On 9 December 2008, Fortune Financial (Holdings) Limited ("Fortune Financial"), a wholly subsidiary of the Company entered into a non-legally binding memorandum with an independent third party, Shenzhen Huade Petrochemical Company Limited ("Shenzhen Huade") (深圳市華德石油化工有限公司) to acquire a partial interest of 20% to 49% of the equity interest of New Era Futures Co., Ltd ("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 interest of New Era. The total aggregate consideration would range 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 a sum of RMB3,000,000 (equivalent to approximately 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 of the equity interest in New Era to not less than 40%. Correspondingly, the minimum total aggregated consideration would increase to RMB60,000,000. The Group had paid an additional deposit of RMB30,040,000 (equivalent to approximately HK$33,907,000) on 5 March 2009.

On 22 May 2009, Fortune Financial entered into the share transfer agreement with Shenzhen Huade to acquire a 49% equity interest in New Era at a consideration of RMB58,830,000 and the Group had paid a further deposit of RMB5,000,000 (equivalent to approximately HK$5,687,000) on 22 May 2009.

On 2 February 2010, Fortune Financial entered into a supplementary agreement with Shenzhen Huade in which both parties agreed to extend the long stop date to 31 December 2010 and Fortune Financial agreed to pay the remaining consideration of RMB20,790,000 (equivalent to approximately HK$23,625,000) as deposit within five business days after signing the supplementary agreement. The Group had paid the deposit on 2 February 2010.

Upon the completion of the share transfer in New Era, the consideration for the acquisition would be fully settled by the deposit paid by the Group.

25. INVESTMENT DEPOSITS (Continued)

Notes: (Continued)

(e) On 6 March 2009, Fortune Financial entered into a sales and purchase agreement with an independent third party, Pioneer (China) Limited ("Pioneer China") a minority shareholder of a subsidiary to acquire the remaining 49% issued share capital of Excalibur Futures Limited ("EFL") at a consideration of HK$9,800,000. Details of the transaction was set out in the Company's circular dated 16 March 2009. As at 31 March 2009, the Group paid a sum of HK$5,000,000 as deposit for the acquisition. The transaction was 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 sales and purchase agreement with an independent third party, Ample Wealth Group Limited to acquire the entire interest of Wealth Aim Group Limited which in turn owns 70% equity interests in AMS Capital Limited at a consideration of HK$58,400,000. Details of the transaction were set out in the Company's circular date 16 March 2009. As at 31 March 2009, the Group paid HK$100,000 as a non-refundable deposit for the acquisition.

On 2 November 2009, Fortune Financial and Ample Wealth Group Limited agreed to terminate the transaction and in accordance with the agreement the deposit paid was forfeited in the current year.

26. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

27. AMOUNTS DUE FROM DIRECTORS

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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mr. Hon Chun Yu	**149**	–	**5,078**	–
Mr. Yeung Kwok Leung	**1,191**	776	**3,678**	1,508
	1,340	776		

The amounts due from directors of the Company bore interest at prime rate plus 3.5% (2009: prime rate plus 3.5%) per annum and were repayable on demand.

The amounts were secured by the pledge of securities. As at 31 March 2010, the total market value of securities pledged as collateral in respect of the amounts due from directors were approximately HK$10,766,000 (2009: HK$1,429,000).

28. BANK BALANCES AND CASH/BANK OVERDRAFT

Bank balances and cash – trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities and futures brokerage and financing business. The Group has classified the clients' monies as bank balances and cash – trust under the current assets of the consolidated statement of financial position 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

	2010 **HK$'000**	2009 HK$'000
Bank balances and cash – general	**34,052**	22,138
Add: Bank balances and cash – general classified as assets held for sale	**10,743**	–
Cash and cash equivalents	**44,795**	22,138

Bank balances and cash held by the Group amounting to approximately HK$33,867,000 (2009: HK$22,138,000) 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% (2009: 0.01% to 0.05%) per annum.

As at 31 March 2010, the Group had bank balances of approximately HK$22,000 (2009: HK$10,000) and HK$542,000 (2009: nil) were originally denominated in USD and RMB respectively.

Bank overdrafts

Bank overdrafts carry interest at rates ranging from prime rate to the prime rate less 1% for the years ended 31 March 2010.

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2010 HK$'000	2009 HK$'000
Trade payables from the business of dealing in securities – margin and cash clients	**93,446**	28,878
Trade payables from the business of dealing in future contracts	**44,425**	40,637
Trade payables arising from the business of electrical engineering contract work and trading of electrical goods	**–**	4,034
Other payables and accruals	**8,230**	9,590
	146,101	83,139

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 margin financing.

At the end of the reporting period, the ageing analysis of the trade payables arising from the business of electrical engineering contract work and trade of electrical goods was as follows:

	2010 HK$'000	2009 HK$'000
61 – 90 days	**–**	7
Over 90 days	**–**	4,027
	–	4,034

The average credit period on purchases of electrical goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

30. OTHER BORROWINGS

	2010 HK$'000	2009 HK$'000
Unsecured other borrowings repayable within 1 year	**172,800**	–

Borrowings comprise:

Principal	Maturity date	Effective interest rate	Carrying amount 2010 HK$'000	Carrying amount 2009 HK$'000
Fixed-rate borrowings				
HK$40,000,000	11 March 2011	7%	**40,000**	–
HK$10,000,000	18 June 2010	7%	**10,000**	–
HK$10,000,000	18 June 2010	7%	**10,000**	–
HK$36,000,000	26 June 2010	8.25%	**28,000**	–
HK$28,000,000	31 July 2010	8.25%	**28,000**	–
Variable-rate borrowing				
HK$56,800,000	17 September 2010	7% (Note)	**56,800**	–
			172,800	–

Note:

Such borrowing is subject to variable interest rate at prime rate plus 2%.

31. AMOUNTS DUE TO DIRECTORS

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

32. PROVISION

	Provisions for litigation HK$'000
At 1 April 2008	–
Additional provision	940
At 31 March 2009, 1 April 2009 and 31 March 2010	940

Provision was made based on management's best estimates and judgments. The additional provision has been made during the year ended 31 March 2009 in respect of a charge as a defendant regarding to the compensation for the damage incurred for the rental premise (Note 4).

33. DEFERRED TAX

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

	Different between tax and depreciation allowance HK$'000
At 1 April 2008	–
Arising on acquisition of subsidiaries	57
Credit to consolidated statement of comprehensive income for the year	4
At 31 March 2009 and 1 April 2009	61
Reclassified as assets held for sale	(61)
At 31 March 2010	–

At 31 March 2010, the Group has unused tax losses of approximately HK$81,478,000 (2009: HK$129,619,000) available for offset against future profits. Tax losses may be carried forward indefinitely.

34. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 1 April 2009, 31 March 2009 and 31 March 2010	5,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2008	464,070,000	46,407
Issue of shares (Note a)	80,000,000	8,000
Issue of remuneration shares (Note b)	12,000,000	1,200
Conversion of convertible loan notes (Note c)	200,000,000	20,000
As at 31 March 2009 and 1 April 2009	756,070,000	75,607
Conversion of convertible loan notes (Note d)	639,000,000	63,900
Exercise of share options (Note 37)	5,600,000	560
As at 31 March 2010	1,400,670,000	140,067

34. SHARE CAPITAL (Continued)

Notes:

(a) Pursuant to a conditional placing agreement dated 10 September 2008 (as supplemented by further agreements dated 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 at the annual general meeting of the Company held on 29 August 2008. All conditions of the placing agreement have been fulfilled and completion of the placing agreement took place on 19 February 2009. Details of the transaction were set out in the Company's announcement dated 24 September 2009.

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

(c) 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 interest in ESL at a consideration of HK$20,000,000. The consideration was settled by way of the issuance of convertible loan notes for a principal amount of HK$20,000,000 which are convertible into the Company's shares at the price of HK$0.1 per share to Mr. Lao Chio Kuan. Subsequently a total of 200,000,000 shares of HK$1 per share in the Company were issued pursuant to the conversion of the convertible loan notes on 19 February 2009. Details of the transaction were set out in the Company's circular dated 30 June 2008.

(d) On 15 July 2009, 18 August 2009 and 12 November 2009, the convertible loan notes holders converted HK$1,000,000, HK$21,000,000 and HK$67,040,000 into 10,000,000, 210,000,000 and 419,000,000 ordinary shares of HK$0.1 each at the conversion prices of HK$0.10, HK$0.10 and HK$0.16 respectively.

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

35. CONVERTIBLE LOAN NOTES

On 17 February 2009, the Company issued convertible notes (the "2012 Convertible Notes A") which were due on 16 February 2012 with an aggregate principal amount of HK$20,000,000 in respect of the acquisition of the 51% equity interests in ESL. The convertible notes can convert up to an aggregate of 200,000,000 ordinary shares of the Company at HK$0.1 each. The notes were denominated in Hong Kong dollars. The effective interest rate of the liability component is 12.08% per annum. The 2012 Convertible Notes A were fully converted into ordinary shares of the Company on 17 February 2009.

On 19 February 2009, the Company issued another convertible notes (the "2012 Convertible Notes B") which were due on 18 February 2012 with an aggregate principal amount of HK$50,000,000. The convertible notes can convert up to an aggregate of 500,000,000 ordinary shares of the Company at HK$0.1 each. The notes were denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and the maturity date. The effective interest rate of the liability components is 30% per annum. The 2012 Convertible Notes B of HK$22,000,000 were converted into 220,000,000 ordinary shares of the Company on 15 July 2009 and 18 August 2009 respectively.

35. CONVERTIBLE LOAN NOTES (Continued)

On 30 June 2009, the Company issued convertible notes (the "2012 Convertible Notes C") which were due on 29 June 2012 with an aggregate principal amount of HK$32,000,000. The convertible notes can convert up to an aggregate of 200,000,000 ordinary shares of the Company at HK$0.16 each. The notes were denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and the maturity date. The effective interest rate of the liability component is 8.0% per annum.

On 24 August 2009, the Company issued two separate types of convertible notes which were due on 23 August 2012 and with respective principal amount of HK$19,200,000 (the "2012 Convertible Notes D") and HK$9,800,000 (the "2012 Convertible Notes E") in connection with the acquisition of the additional 49% equity interest in ESL and EFL respectively. The 2012 Convertible Notes D and 2012 Convertible Notes E can convert up to an aggregate of 120,000,000 and 61,250,000 ordinary shares of the Company respectively at a conversion price of HK$0.16. The notes were denominated in Hong Kong dollars.

The 2012 Convertible Notes D entitles the holder to convert the notes into ordinary shares of the Company at HK$0.16 per share in the value of HK$8,420,000 at any time between the date of issue of the notes and maturity date. In the event that the profit guarantee on ESL for the year ended 31 December 2009 of HK$10,000,000 is successfully met, the holder shall be entitled to further convert the convertible loan notes into ordinary shares of the Company in the value of HK$4,900,000 ("2009 Conversion Right D"). In the event of the profit guarantee on ESL for the year ended 31 December 2010 of HK$12,000,000 is successfully met, the holder shall be entitled to convert the remaining convertible loan notes into ordinary shares of the Company at HK$0.16 per share in the value of HK$5,880,000 ("2010 Conversion Right D").

The 2012 Convertible Notes E entitles the holder to convert the notes into ordinary shares of the Company at HK$0.16 per share in the value of HK$5,140,000 at any time between the date of issue of the notes and the maturity date. In the event that the profit guarantee on EFL for the year ended 31 December 2009 of HK$4,500,000 is successfully met, the holder shall be entitled to further convert the convertible loan notes into ordinary shares of the Company in the value of HK$2,210,000 ("2009 Conversion Right E"). In the event the profit guarantee on ESL for the year ended 31 December 2010 of HK$5,000,000 is successfully met, the holder shall be entitled to convert the remaining convertible loan notes into ordinary shares of the Company in the value of HK$2,450,000 ("2010 Conversion Right E").

In the event that there is a shortfall against the profit guarantee for the profit of ESL for the years ended 31 December 2009 ("2009 ESL Shortfall") and 2010 ("2010 ESL Shortfall"), the 2009 Conversion Right D and 2010 Conversion Right D shall be reduced by an amount of 49% of the actual 2009 ESL Shortfall and 2010 ESL Shortfall respectively, up to a maximum of 100% of the 2009 Conversion Right D and 2010 Conversion Right D respectively. During the year ended 31 March 2010, the actual 2009 ESL Shortfall was determined to be approximately HK$6,977,000, accordingly, the conversion, redemption and repayment rights of the principal amount of 2012 Convertible Note D were forfeited and reduced by HK$3,419,000 (being 49% of the actual 2009 ESL Shortfall amount) accordingly.

35. CONVERTIBLE LOAN NOTES (Continued)

In the event that there is a shortfall against the profit guarantee for the profit of EFL for the years ended 31 December 2009 ("2009 EFL Shortfall") and 2010 ("2010 EFL Shortfall"), the 2009 Conversion Right E and 2010 Conversion Right E shall be reduced by an amount of 49% of the actual 2009 EFL Shortfall and 2010 EFL Shortfall respectively, up to a maximum of 100% of the 2009 Conversion Right E and 2010 Conversion Right E respectively. It was determined that there is no 2009 EFL shortfall according to the audited result of EFL for the year ended 31 December 2009.

The effective interest rates of the liability component of 2012 Convertible Notes D and 2012 Convertible Notes E are both 8.0% per annum.

On 7 September 2009, the Company issued convertible notes (the "2012 Convertible Notes F") which were due on 31 December 2012 with an aggregate principal amount of HK$128,000,000. The convertible notes can convert up to an aggregate of 800,000,000 ordinary shares of the Company at HK$0.16. The notes were denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and the maturity date. The holder is also granted the options to subscribe for the optional convertible loan notes to be issued by the Company for a maximum principal sum of HK$128,000,000, which are convertible into a maximum of 800,000,000 ordinary shares of the Company at HK$0.16 each ("Further Subscription Option"). The effective interest rate of the liability component is 15.0% per annum. The 2012 Convertible Notes F of HK$67,040,000 were converted into 419,000,000 ordinary shares on 12 November 2009.

The shares to be issued and allotted upon conversions of the above convertible notes 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.

Each of the above convertible loan notes holder shall exercise the right of conversion to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after such conversion.

The convertible loan notes holder shall not convert the convertible loan notes and the Company shall not issue any ordinary shares if, upon such issue, the convertible loan notes holder and the parties acting in concert with it, will be interested in 30% (or such amount as from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion. No ordinary shares will be allotted and issued in respect of any breach of the provision under the conditions.

35. CONVERTIBLE LOAN NOTES (Continued)

Except for the 2012 Convertible Notes F, each of the convertible notes is bifurcated into a liability component and an equity component. The 2012 convertible Notes F contains a derivative component in addition to the liability component and equity component. The equity component is presented in equity heading "convertible loan notes equity reserve". The movement of the liability, equity and derivative components of the convertible notes is set out below:

	2012 Convertible Notes A HK$'000	2012 Convertible Notes B HK$'000	2012 Convertible Notes C HK$'000	2012 Convertible Notes D HK$'000	2012 Convertible Notes E HK$'000	2012 Convertible Notes F HK$'000	Total HK$'000
Liability components							
At 1 April 2008	–	–	–	–	–	–	–
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
Issue of convertible notes during the year	–	–	25,403	15,242	7,780	80,506	128,931
Reduction to set off the profit guarantee by holder	–	–	–	(2,792)	–	–	(2,792)
Transfer to share capital upon conversion to ordinary shares	–	(11,295)	–	–	–	(43,308)	(54,603)
Imputed interest expenses (Note 10)	–	5,141	1,526	678	373	4,374	12,092
At 31 March 2010	–	16,912	26,929	13,128	8,153	41,572	106,694
Equity components							
At 1 April 2008	–	–	–	–	–	–	–
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
Issue of convertible notes during the year	–	–	6,597	3,958	2,020	2,935	15,510
Reduction to set off the profit guarantee by holder	–	–	–	(703)	–	–	(703)
Transfer to share capital upon conversion to ordinary shares	–	(11,642)	–	–	–	(1,537)	(13,179)
At 31 March 2010	–	14,816	6,597	3,255	2,020	1,398	28,081

35. CONVERTIBLE LOAN NOTES (Continued)

	2012 Convertible Notes F HK$'000
Derivative components	
At 1 April 2008, 31 March 2009 and 1 April 2009	–
Issue of convertible notes during the year	44,559
Change in fair value	18,525
At 31 March 2010	63,084

The fair value of the derivative component, representing the Further Subscription Option granted to the holder of the 2012 Convertible Notes F, was estimated at the date of issuance and the end of each reporting period respectively using the option pricing model. The change in fair value of the derivative component is recognised in the consolidated statement of comprehensive income.

The derivative component of 2012 Convertible Notes F was revalued at 31 March 2010 and at the date of issuance (7 September 2009) based on the valuation performed by Roma Appraisals Limited, an independent valuer, using the option pricing models. The significant inputs to the models were as follows:

	31 March 2010	7 September 2009
Spot price	**0.475**	0.433
Risk free rate	**0.158%**	0.241%
Expected option period	**0.436 year**	1 year
Expected volatility	**3.23%**	2.99%

36. 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 for its provision of professional service in relation to the resumption of trading in shares of the Company in the Stock Exchange. On 18 February 2009, remuneration warrants was granted to Veda Capital which entitle 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 estimated fair value of the warrants granted on 17 February 2009 is HK$552,000. The fair value was calculated using the Black-Scholes-Merton Option Pricing Model. The significant inputs into the model were as follows:

	At 17 February 2009
Spot price	HK$0.07
Exercise price	HK$0.1
Risk free rate	0.958%
Expected life	3 years
Expected volatility	121.51%
Expected dividend yield	0%

The Group recognised an expense of HK$552,000 for the year ended 31 March 2009 in relation to the above remuneration warrants granted.

The registered holders of the warrants have not exercised any of the warrants for the year ended 31 March 2010 and 2009.

37. SHARE-BASED PAYMENT TRANSACTIONS

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

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Under the terms of the 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 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 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 2010, 2,000,000 (2009: 11,400,000) options had been granted and remained outstanding under the Option Scheme of the Company, representing approximately 0.14% (2009: 1.51%) of the shares of the Company in issue at that date.

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 2008	Cancelled during the year	Outstanding at 31 March 2009 and 1 April 2009	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2010	Exercise price
2004B	27 August 2003	200,000	(200,000)	–	–	–	–	HK$1.3060
2004C	16 January 2004	2,100,000	(2,100,000)	–	–	–	–	HK$0.8520
2006A	2 August 2005	11,400,000	–	11,400,000	(5,600,000)	(3,800,000)	2,000,000	HK$0.3520
Total		13,700,000	(2,300,000)	11,400,000	(5,600,000)	(3,800,000)	2,000,000	

Note: At 31 March 2010 and 2009, no share options were held by the directors.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

In respect of the share option exercised during the year, the weighted average share price at the dates of exercise is HK$0.48 (2009: N/A) and the weighted average closing price of shares immediately before the date on which options were exercised is HK$0.48 (2009: N/A)

Further details of options granted by the Group were as follows:

Option type	Date of grant	Exercise period	Exercise price	Closing price at grant date
2004B	27 August 2003	27 August 2003 to 26 August 2009	HK$1.3060	HK$1.170
2004C	16 January 2004	16 January 2004 to 15 January 2010	HK$0.8520	HK$0.840
2006A	2 August 2005	2 August 2005 to 1 August 2010	HK$0.3520	HK$0.340

38. ACQUISITION OF SUBSIDIARIES

(a) Pursuant to the two sale and purchase agreements entered into by the Group on 6 March 2009, the Group agreed to acquired additional 49% equity interests in ESL and EFL from Pioneer China, a minority shareholder of the Group, at 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 (see Note 34), subjected to the profit guarantee for ESL for its net profits not less than HK$10,000,000 and HK$12,000,000 for the years ended 31 December 2009 and 2010 respectively, and EFL for its net profits not less than HK$4,500,000 and HK$5,000,000 for the years ended 31 December 2009 and 2010 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 announcement dated 8 May 2009. The resulted goodwill amount to HK$1,337,000 for ESL and discount on acquisition amount to HK$4,616,000 for EFL were recognised in the consolidated statement of financial position and consolidated statement of comprehensive income respectively. The goodwill is attributable to the sustainable and profitable business model of the acquired business.

(b) On 17 February 2009, the Group acquired 51% of the issued share capital of ESL at a consideration of HK$20,061,000, subjected to the profit guarantee for ESL for its net profits not less than HK$10,000,000 and HK$12,000,000 for the years ended 31 December 2009 and 2010 respectively. In the event of any shortfall in the guaranteed profit, the vendor shall pay the Group an amount equivalent to 51% of the shortfall amount. 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.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

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:	
Plant and equipment	245
Intangible assets	500
Other non-current assets	532
Deferred tax	57
Bank balances and cash – trust	5,036
Bank balances and cash – general	6,038
Trade receivables	33,006
Other receivables, deposits and prepayments	46
Tax recoverable	12
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 note	20,000
Direct costs relating to the acquisition	61
	20,061
Net cash inflow arising on acquisition:	
Bank balances and cash acquired – general	6,038
Direct costs relating to the acquisition	(61)
	5,977

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

The goodwill is attributable to the sustainable and profitable business model of the acquired business.

ESL contributed turnover and profit to the Group for the year ended 31 March 2009 of approximately HK$658,000 and HK$159,000 respectively.

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.

(c) On 17 February 2009, the Group acquired 51% of the issued share capital of EFL at a consideration of HK$12,944,000, subjected to the profit guarantee for EFL for its net profits not less than HK$4,500,000 and HK$5,000,000 for the years ended 31 December 2009 and 2010 respectively. In the event of any shortfall in the guaranteed profit, the vendor shall pay the Group an amount equivalent to 51% of the shortfall amount. 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:	
Plant and equipment	1,794
Intangible assets	480
Other non-current assets	1,500
Bank balances and cash – trust	30,393
Bank balances 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

38. ACQUISITION OF SUBSIDIARIES (Continued)

(c) (Continued)

	HK$'000
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 balances and cash acquired – general	7,148
Direct costs relating to the acquisition	(14)
	(3,066)

EFL contributed to turnover and loss of approximately HK$2,424,000 and HK$514,000 respectively to the Group for the year ended 31 March 2009.

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.

(d) On 16 February 2009, the Group acquired the entire issued share capital of Money Holder Limited ("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.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(d) (Continued)

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 year ended 31 March 2009.

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.

39. DISPOSAL OF SUBSIDIARIES

(a) On 31 January 2010, the Group disposed of its 100% interests of YSH Group at a cash consideration of HK$10,000 to a connected party.

The net liabilities of the subsidiaries disposed of at the date of disposal and the related gain on disposal of subsidiaries as at 31 January 2010 were as follows:

	HK$'000
Net liabilities disposed of:	
Plant and equipment	22
Trade receivables	39
Other receivables, deposits and prepayments	1
Amount due from a related party	2
Bank balances and cash – general	54
Accounts payable, other payables and accruals	(6,085)
Tax payable	(257)
	(6,224)
Gain on disposal of subsidiaries (Note 15)	6,234
Cash consideration received	10
Satisfied by:	
Cash	10
Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Cash consideration	10
Bank balances and cash – general disposed of	(54)
	(44)

The impact of YSH Group on the Group's results and cash flows in the current and prior periods is disclosed in note 15.

39. DISPOSAL OF SUBSIDIARIES (Continued)

(b) 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:

	Hong Tong Hai Logistics Limited	TopStar Enterprises (Holdings) Limited	China Legend International Limited	Tanswell Investments Limited	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net liabilities disposed of:					
Bank balances and cash – general	–	–	1	–	1
Trade payables, other payables and accruals	(6)	(22)	(2)	(2)	(32)
	(6)	(22)	(1)	(2)	(31)
Gain on disposals	16	32	1	12	61
Total consideration satisfied by other receivables	10	10	–	10	30
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.

40. DEEMED DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY

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

41. 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:

	2010 HK$'000	2009 HK$'000
Brokerage commission received from directors	**52**	12
Interest receivables received from directors	**101**	44
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 25)	**–**	5,000
Loan raised and settled during the year from a shareholder (Note)	**29,500**	–
Interest paid to a shareholder	**493**	–
	29,993	–

Note: The amount was secured by pledged of securities, carried interest rate at 7% per annum and repayable on demand.

(ii) During the year ended 31 March 2010, the Group has acquired 49% additional equity interest in ESL and EFL from a minority shareholder of the Company. Details of which are set out in note 38(a).

(iii) Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2010 HK$'000	2009 HK$'000
Short-term benefits	**3,292**	1,961
Post-employment benefits	**24**	12
	3,316	1,973

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

42. RETIREMENT BENEFIT SCHEME

The Group operates a defined Mandatory Provident Fund ("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$886,000 (2009: HK$273,000) represents contributions payable to the schemes by the Group in respect of the year ended 31 March 2010.

43. COMMITMENTS

At the end of the reporting period, the Group had the following commitments in respect of:

(a) Capital commitment

	2010 HK$'000	2009 HK$'000
Contracted but not provided for:		
– acquisition of subsidiaries (Note i)	–	82,400
– acquisition of intangible assets (Note ii)	–	8,341
	–	90,741

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 HK$100,000 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 31 March 2009. Details of which are set out in the Company's announcement dated on 16 March 2009. The agreement was terminated on 2 November 2009.

On 6 March 2009, the Group entered into two sale and purchase agreements to acquire 49% equity interests in ESL and EFL 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 ESL for its net profits not less than HK$10,000,000 and HK$12,000,000 in 2009 and 2010 and EFL 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 announcement dated 8 May 2009. As at 31 March 2009, a total refundable deposit of HK$5,000,000 was paid.

43. COMMITMENTS (Continued)

(a) Capital commitment (Continued)

Notes: (Continued)

(ii) On 18 February 2009, the Group has acquired 51% of the issued share capital of EFL which had previously entered into a project agreement with an independent third party to acquire an advance specific software for futures contracts trading at a consideration of HK$20,000,000. As at 31 March 2009, the Group has prepaid HK$11,659,000 for the project cost.

(b) Operating lease commitment

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

	2010 **HK$'000**	2009 HK$'000
Within one year	**5,006**	8,385
In the second to fifth years, inclusive	**467**	3,697
	5,473	12,082

44. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at the end of reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Group		Principal activities
			2010	2009	
Fortune (HK) Securities Limited	Hong Kong	HK$125,000,000	**100%**	100%	Provision of securities brokerage and financing services
ESL	Hong Kong	HK$20,000,000	**100%**	51%	Provision of securities brokerage and financing services
EFL	Hong Kong	HK$240,000,000	**100%**	51%	Provision of futures brokerage services
Fortune Wealth Management Limited	Hong Kong	HK$2,500,000	**75%**	75%	Provision for insurance brokerage service
Hong Tong Hai Consultants Limited	Hong Kong	HK$2	**100%**	100%	Investment holding
Hong Tong Hai Logistics Limited	The British Virgin Islands	US$100	**100%**	100%	Investment holding
Jetcom Limited	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Sinogear Enterprises Limited	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Yew Sang Hong (China) Limited	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Yew Sang Hong Trading (China) Limited	Hong Kong	HK$2	**100%**	100%	Inactive
Fortune Financial Holdings Limited	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Money Holder	Hong Kong	HK$10,000	**100%**	100%	Sub-letting of premises

(a) None of the subsidiaries had issued any debt securities at the end of the year or at any time during the years ended 31 March 2010 and 2009.

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

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010 HK$'000	2009 HK$'000
Non-current assets		
Plant and equipment	**199**	–
Investments in subsidiaries	**–**	–
	199	–
Current assets		
Investments held for trading	**1,170**	442
Other receivables, deposits and prepayments	**318**	479
Amounts due from subsidiaries (Note i)	**178,732**	27,491
Bank balances and cash – general	**4,488**	1,689
	184,708	30,101
Current liabilities		
Trade payables, other payables and accruals	**1,448**	2,516
Derivative component of convertible loan note	**63,084**	–
Amounts due to subsidiaries (Note)	**4,680**	4,919
Tax payable	**49**	–
	69,261	7,435
Net current assets	**115,447**	22,666
Total assets less current liabilities	**115,646**	22,666
Capital and reserves		
Share capital	**140,067**	75,607
Share premium	**250,520**	244,634
Share options reserve	**615**	1,208
Share warrants reserve	**552**	552
Convertible loan notes equity reserve	**28,086**	26,458
Contributed surplus (Note ii)	**80,657**	80,657
Accumulated losses	**(491,545)**	(429,516)
Total equity (capital deficits)	**8,952**	(400)
Non-current liability		
Convertible loan notes	**106,694**	23,066
	115,646	22,666

Note:

i) The amount(s) due from/to subsidiaries are unsecured, interest-free and repayable on demand.

ii) The contributed surplus of the Company represents the difference between the fair values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the corporate reorganization of the Group.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**80,488**	10,676	12,355	6,504	29,690
(Loss) Profit before taxation	**(23,664)**	15,916	(5,827)	(12,438)	(131,092)
Taxation	**(4,491)**	(115)	–	(792)	(159)
(Loss) Profit for the year from continuing operations	**(28,155)**	15,801	(5,827)	(13,230)	(131,251)
Profit (Loss) for the year from discontinued operations	**6,732**	(88)	–	–	-
(Loss) Profit before minority interests	**(21,423)**	15,713	(5,827)	(13,230)	(131,251)
Minority interests	**(2,288)**	511	–	–	-
(Loss) Profit for the year attributable to equity holders of the Company	**(23,711)**	16,224	(5,827)	(13,230)	(131,251)
(Loss) Earnings per share (HK cents)					
Basic	**(2.2)**	3.2	(1.3)	(2.9)	(28.5)
Diluted	**(2.2)**	3.2	N/A	N/A	N/A

	At 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**685,112**	242,706	79,820	63,151	92,750
Total liabilities	**(532,282)**	(108,005)	(58,784)	(36,288)	(52,694)
	152,830	134,701	21,036	26,863	40,056
Minority interests	**(165)**	(29,781)	–	–	–
Total equity	**152,665**	104,920	21,036	26,863	40,056