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

ANNUAL REPORT 2011

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. YEUNG Kwok Leung

AUTHORISED REPRESENTATIVES

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

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

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Hong Kong Law

Troutman Sanders

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
Wanchai
Hong Kong
Tel: (852) 2849 3399
Fax: (852) 2849 3319

STOCK CODE

0290

WEBSITE

www.290.com.hk

CHAIRMAN'S STATEMENT

Since the financial turmoil in 2008, China's economy experienced fast and rapid growth. China has, for the first time, overtaken Japan and become the world's second-largest economy in 2010. Renminbi has gained presence in the international market and overtaken the British pound as the third-largest currency of settlement in Asia. Across the border, the Shanghai Stock Exchange is preparing the introduction of the international board raised the interest of various foreign enterprises.

The rapid growth of China's economy and capital market has brought immense opportunities to Hong Kong's financial market. In one of his recent public addresses, Premier Wen Jiabao has reiterated Hong Kong's position as an offshore center for Renminbi and as an international asset management center. As a financial services company whose business focus lies in the growing integration of cross border markets between China and Hong Kong, China Fortune Group has beefed up our presence in China by adding a representative office in Beijing in 2010. Coupled with the Shenzhen office opened in 2009, the Group is geared up for growth and actively seeks strategic business opportunities on the mainland.

On 7 December 2010, the Group has announced the introduction of 中國信達(香港)資產管理有限公司 (China Cinda (HK) Asset Management Co., Ltd.) ("**China Cinda (HK)**") as a substantial shareholder of the company through placing. 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.) ("**China Cinda**"), the parent of China Cinda (HK), is incorporated with registered capital injected from the Ministry of Finance, authorized by the State Council of the PRC. Leveraging on the new shareholder's business networks and expertise including asset management and securities trading, we believe the new shareholder will bring synergy to the business development of the Group in Greater China in the near future.

On 12 May 2011, the Group announced the intention to incorporate the word "financial" into the existing company name, renamed to "China Fortune Financial Group Limited" in a move to strengthen our core focus in the development of financial services. We are of the view that the new name will better reflect the nature and business development of the Group. The Group is persistent towards business development. We put great efforts and endeavor to provide financial services like securities brokerage, capital restructuring, asset management and advisory to small and medium businesses. Our goal is to become a major participant in the financial services industry in the Greater China region and ensure a reasonable return to Shareholders.

By Order of the Board

ZHANG Min
Chairman

Hong Kong, 28 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the year ended 31 March 2011, the total revenue for the Group was approximately HK$110,666,000 (2010: approximately HK$80,488,000) and loss attributed to the shareholders of the Company (the "**Shareholders**") was approximately HK$65,370,000 (2010: loss approximately HK$23,711,000). The loss was mainly attributable to the impairment in Group's receivable and intangible asset and imputed interest expenses on convertible loan notes.

During the period under review, the Group has completed the acquisition of a subsidiary, namely Fortune Asset Management Limited (formerly known as Treasure Palladium Asset Management Limited) on 9 September 2010. Following the acquisition, we could provide a more comprehensive range of services to our customers covering agency broking, securities financing and asset management.

REVIEW OF OPERATIONS

Securities broking business

For the year under review, the Group operates two wholly-owned securities companies, Fortune (HK) Securities Limited ("**F(HK)S**") and Excalibur Securities Limited ("**ESL**"). Revenue generated from these two securities broking business recorded approximately HK$31,457,000 (2010: approximately HK$37,854,000), accounting for approximately 28.43% of the Group's total revenue (2010: approximately 47.03%). The decrease was due to the disposal of ESL on 20 January 2011.

The Group's strategy is to strengthen and focus on the existing securities operation of F(HK)S 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$32,289,000 (2010: approximately HK$16,684,000), which accounted for approximately 29.18% of the Group's total revenue (2010: approximately 20.73%). The result was due to the strong market sentiment increased the demand for margin and IPO financing.

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 financing.

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

Futures broking business

The income generated from the futures broking business during the year under review recorded approximately HK$35,356,000 (2010: approximately HK$25,536,000) accounting for approximately 31.95% of the Group's total revenue (2010: approximately 31.37%).

Insurance broking

The revenue from the Group's insurance broking business for the period under review recorded approximately HK$1,230,000 (2010: approximately HK$557,000), which accounted for approximately 1.11% of the Group's total revenue (2010: approximately 0.69%).

Other businesses

The income generated from other businesses operations in the areas of immigration advisory, financial communication service and trading of listed securities during the year was approximately HK$10,334,000 (2010: approximately HK$299,000), which accounted for approximately 9.33% (2010: approximately 0.37%) of the Group's total revenue. The Group aim to provide our clients with diversified products and services to suit their varying needs.

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

PROSPECTS

The corporate strategy of the Company is to strengthen its existing financial services business. Since 2011, the Chinese economy maintained its strong growth. According to earlier projections by the World Bank and the United Nations, China's Gross Domestic Product (GDP) will increase by 9.3% to 9.5% in 2011. While Europe and North American markets are still recovering from the financial turmoil, China has been actively developing its capital market by introducing new investment products such as dealings in futures index and the inauguration of the growth enterprise market, as well as the implementation of various market optimization measures such as the share segregation reform in order to strengthen its appeal to international investors.

The Chinese market has always been the Group's strategic focus since our inauguration. The Group has established business arms to implement this particular focus, followed up the opening of representative offices in Shenzhen and Beijing to ensure effective communication and presence in the mainland financial market. To cope with customer demand, the Group has expanded its business in asset management through acquisition during the period under review. The target asset management company acquired is principally engaged in providing fund management and discretionary portfolio management services. They enable clients to capture investment opportunities via the provision of professional services. Our one-stop investment platform also assists clients who wish to migrate to Hong Kong under the Capital Investment Entrant Scheme to invest their capital in different investment products such as equities and pre-approved investment funds based on the client's requirements and preferences.

In addition, the Group is investigating the potential of the micro credit market which has recently showed a rising demand in the Mainland. According to the survey《2010年小額貸款公司數據統計報告》issued by the People's Bank of China in March 2011, the outstanding micro loan in the Mainland amounted to RMB197.5 billion as of the end of 2010. This amount has doubled that of May 2008 when the People's Bank of China and the China Banking Regulatory Commission issued《關於小額信貸公司試點的指導意見》, a directive concerning test points for micro credit operators. Tapping this huge potential market will allow the Group to capture a pool of potential customers and broaden the revenue base of the overall financial business.

As a result of continuous growth, the Group's existing office can no longer satisfy the needs for business development. The Group is planning to move its headquarters in Hong Kong to Wanchai in July. The Board also intends to take this opportunity to update our corporate image and development blueprint to our customers, partners and the media to reinforce our market position. Looking ahead, the Group will observe its long-term strategic direction and develop the existing brokerage and margin financing businesses. The Group will also continue to seek business development opportunities through internal expansion and merger and acquisitions to maximize the returns to the Shareholders.

CAPITAL STRUCTURE

As at 31 March 2010, the total issued shares of the Company (the "**Shares**") were 1,400,670,000 Shares.

During the year under review, 2,000,000 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**").

Pursuant to the placing agreement dated 27 February 2008 entered into between the Company as the issuer and Kingston Securities Limited as the placing agent in respect of a conditional placing of the zero coupon convertible notes in the aggregate principal amount of HK$50,000,000 due on the third anniversary of the date of issue, that is, 19 February 2012, at a conversion price of HK$0.10 per conversion share. During the year ended 31 March 2011, convertible notes with an aggregate principal amount of HK$16,000,000 were converted into 160,000,000 Shares under this agreement.

Pursuant to the conditional agreement dated 6 March 2009 entered into between Fortune Financial (Holdings) Limited ("**Fortune Financial**") as the purchaser, a wholly-owned subsidiary of the Company and Pioneer (China) Limited ("**Pioneer**") as the vendor in respect of the acquisition of the remaining 49% equity interest in ESL at a consideration HK$19,200,000. The consideration had been settled by issuing zero coupon convertible bonds 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 CB**"). During the year ended 31 March 2011, ESL CB in the aggregate principal amount of HK$9,901,067 were converted into 61,881,668 Shares.

Pursuant to the conditional agreement dated 6 March 2009 entered into between Fortune Financial as the purchaser and Pioneer as the vendor in respect of acquisition of 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 bonds 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 CB**"). During the year ended 31 March 2011, EFL CB in the aggregate principal amount of HK$7,350,000 were converted into 45,937,500 Shares.

Pursuant to the subscription agreement dated 22 May 2009 (the "**Subscription Agreement**") entered into between the Company as issuer and Jadehero Limited ("**Jadehero**") as the subscriber in respect of a conditional issuance of the zero coupon convertibles bonds by the Company to Jadehero in the principal amount of HK$128 million due on 31 December 2012 at an exercise price of HK$0.16 per conversion share. During the year ended 31 March 2011, convertible bonds with an aggregate principal amount of HK$9,760,000 were converted into 61,000,000 Shares.

On 6 December 2010, the Company as the issuer entered into a subscription agreement ("**Subscription Agreement_1**") with Mankind Investment Limited ("**MIL**") as the subscriber pursuant to which the Company has conditionally agreed to issue and MIL has conditionally agreed to subscribe for 500,000,000 Shares at a subscription price of HK$0.20 per subscription share. Following the approval by the Shareholders at the extraordinary general meeting of the Company held on 17 January 2011, the Company had issued 500,000,000 Shares to MIL on 2 February 2011.

On 8 December 2010, the Company as the issuer entered into a placing agreement (the "**Placing Agreement**") with VC Brokerage Limited as the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 280,534,000 placing shares at a placing price of HK$0.328 per placing share. The placing of 280,534,000 placing shares was completed on 31 January 2011.

As at 31 March 2011, the total issued Shares were 2,512,023,168 Shares.

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

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

The Group financed its operations with shareholders' equity. Cash generated from operation, structured debt instrument and other borrowings.

As at 31 March 2011, the Group's total current assets and current liabilities were approximately HK$778,043,000 (as at 31 March 2010: approximately HK$655,438,000) and approximately HK$405,126,000 (as at 31 March 2010: approximately HK$425,588,000) respectively, while the current ratio was about 1.92 times (as at 31 March 2010: about 1.54 times).

As at 31 March 2011, the Group's aggregate cash balance amounted to approximately HK$44,747,000 (as at 31 March 2010: approximately HK$34,052,000), representing approximately 5.75% (as at 31 March 2010: approximately 5.20%) of total current assets.

The Group had total other borrowings and guarantee exchangeable notes of HK$99,000,000 and approximately HK$81,169,000 as at 31 March 2011, respectively (2010: HK$172,800,000 and HK$Nil, respectively) which are primarily at fixed rates. Currently all the Group's borrowings are denominated in Hong Kong Dollars except the guaranteed exchangeable notes are denominated in United States ("**U.S.**") Dollars. Since almost all revenue of the Group is in Hong Kong Dollars and Hong Kong Dollars is pegged to U.S. Dollars, there is no need to hedge its liabilities which are also substantially denominated in Hong Kong Dollars and U.S. Dollars.

The gearing ratio as at 31 March 2011, measured on the basis of total borrowing as a percentage of total Shareholders' equity, was approximately 104.48% (as at 31 March 2010: approximately 224.41%). The decrease was mainly due to increase of the share capital by subscription and placing.

As at 31 March 2011, the debt ratio, defined as total debts over total assets, was approximately 60.64% (as at 31 March 2010: approximately 77.69%). The decrease in the ratio was mainly due to decrease in convertible loan notes liabilities.

FUND RAISING ACTIVITIES

On 6 September 2010, a supplemental agreement (the "**Supplemental Agreement**") was entered into between the Company and Jadehero to supplement the Subscription Agreement. Pursuant to the Subscription Agreement, among others, an option ("**Option**") was granted to Jadehero to further subscribe for the zero coupon convertible bonds in a maximum principal amount of HK$128,000,000 (the "**Optional Bonds**"), convertible up to a maximum of 800,000,000 new shares of the Company with a conversion price of HK$0.16 per conversion share. The Option was exercisable within a period of 12 months from 7 September 2009 to 6 September 2010 ("**Option Period**"). Pursuant to the Supplemental Agreement, the Company conditionally agreed to extend the Option Period from 12 months to 24 months, thereupon, the Optional Bonds, in a principal sum of HK$128,000,000 may fall to be issued by the Company upon full exercise of the outstanding Option by Jadehero, and is convertible into a maximum of 800 million conversion shares of the Company, would expire on 6 September 2011. The Supplemental Agreement was approved by the Shareholders at extraordinary general meeting of the Company held on 25 October 2010. No Option had been exercised during the year under review.

Pursuant to the Subscription Agreement_1 dated 6 December 2010, the Company has conditionally agreed to issue and MIL has conditionally agreed to subscribe for 500,000,000 Shares at a subscription price of HK$0.20 per subscription share. Following the approval by the Shareholders at the extraordinary general meeting of the Company held on 17 January 2011, the Company had issued 500,000,000 Shares to MIL on 2 February 2011 and the net proceeds of approximately HK$100,000,000 was raised from the subscription.

Pursuant to the Placing Agreement dated 8 December 2010, the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 280,534,000 placing shares at a placing price of HK$0.328 per placing share. The placing of 280,534,000 placing shares was completed on 31 January 2011 and the net proceeds of approximately HK$90,628,000 was raised from the placing.

MATERIAL ACQUISITION AND DISPOSAL

On 16 October 2009, a conditional sale and purchase agreement ("**ESL Disposal 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 disposal was completed on 20 January 2011.

SIGNIFICANT INVESTMENT

As at 31 March 2011, the Group held financial asset at fair value through profit or loss amounted to approximately HK$39,185,000 (2010: approximately HK$1,170,000) and available-for-sale financial assets amounted to approximately HK$1,948,000 (2010: approximately HK$2,200,000).

POST BALANCE SHEET EVENTS

On 22 May 2009, Fortune Financial 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#), a company established in the PRC, to acquire 49% equity interest in 新紀元期貨有限公司 (New Era Futures Co Limited#) ("**New Era Futures**") at a consideration of RMB58,830,000 (equivalent to approximately HK$66,850,000). 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 terminated on 26 June 2011. Details of the termination were set out in the Company's announcement dated 26 June 2011.

On 12 May 2011, a placing agreement (the "**Placing Agreement_1**") was entered into between the Company as the issuer and F(HK)S as the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best-effort basis, all of the 150,000,000 placing shares at the placing price of HK$0.33 per placing share subject to the terms and conditions of the Placing Agreement_1. The Placing Agreement_1 was approved by the Shareholders at an extraordinary general meeting of the Company held on 15 June 2011.

CONTINGENT LIABILITIES

As at 31 March 2011, the Group did not have any material contingent liabilities (2010: HK$Nil).

CHARGE ON THE GROUP'S ASSET

As at 31 March 2011, the Group had not charged or pledged any of its assets (2010: HK$Nil).

RISK MANAGEMENT

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

FOREIGN CURRENCY FLUCTUATION

During the year ended 31 March 2011, the Group mainly uses Hong Kong dollars to carry out its business transactions. The Board considers that the foreign currency exposure is insignificant.

HUMAN RESOURCES

At as 31 March 2011, the Group had 113 employees (2010 : 105). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

For identification purpose only

LITIGATION

One of the subsidiary of the Company 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 case has yet to conclude.

EFL, a wholly-owned subsidiary of the Company, was sued by a non-employee (the "**Claimant**") in the Labour Tribunal for, *inter alia*, wages in lieu of notice and cash compensation for untaken annual leave entitlements. On 26 November 2010, the Claimant and EFL amicably and finally settled the matter without any financial liability to EFL.

On 10 March 2011, an injunction order was granted by the Court of First Instance of the High Court of the Hong Kong in favour of Sun Finance Company Limited against Queensbury Global Limited (as the 1st Defendant) ("**Queensbury**") and the Company (as the 2nd Defendant) (collectively, the "**Order**"). The Order prohibited, *inter alia*, the disposal of, dealing with or diminishment of shares of a listed company in Hong Kong held by Queensbury in its account held with F(HK)S, a subsidiary of the Company. According to legal opinion rendered to the Company, the Company was named, probably, as nominal defendant. The Company swiftly entered into negotiations with the Plaintiff and Queensbury and an amicable settlement arrangement was eventually reached on 11 March 2011 such that the Order was lifted and the underlying action was discontinued against the Company. The operation and financial position of the Company has not, and had not, been affected by the Order at all. Save as disclosed above, there was no outstanding litigation or legal proceedings which ought to be disclosed.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHANG Min

Mr. ZHANG Min, aged 53, was appointed as a non-executive Director on 8 December 2010 and was re-designated to executive Director on 12 April 2011. He was also appointed as chairman of the Company on 12 April 2011. He holds a Bachelor of Philosophy Degree from the Beijing Normal College and a Master of Laws Degree from the Renmin University of China. He is currently an independent non-executive director of Silver Base Group Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Chief Marketing Officer of the China Cinda Asset Management Co., Ltd. He was the chief executive of China Construction Bank Corporation, Hong Kong Branch, from September 2006 to March 2011 and a director of CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited from August 2006 to March 2011. CCB International (Holdings) Limited is a wholly-owned subsidiary of the China Construction Bank ("**CCB**") in Hong Kong. China Construction Bank (Asia) Corporation Limited is a wholly-owned subsidiary of the China Construction Bank Corporation (together with its subsidiaries referred to as the "**CCBC Group**"), a joint stock company incorporated in the People's Republic of China (the "**PRC**") with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange. He was the former president of the Beijing Banking Association from 2003 to 2005 and the Beijing Investment Institution from 2001 to 2006. Mr. Zhang possesses over 20 years' experience in the banking industry through his work with the CCBC Group.

Mr. NG Cheuk Fan, Keith

Mr. NG Cheuk Fan, Keith, aged 50, 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. Keith 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 over 20 years of corporate development, corporate re-structuring, management and accounting experience. He holds directorship in almost all subsidiaries of 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 also an executive director of Hao Tian Resources Group Limited and U-right International Holdings Limited ("**U-right**"), companies listed on the main board of the Stock Exchange. Mr. Ng is the company secretary of U-right. He was an executive director of New Environmental Energy Holdings Limited, a company listed on the main board of the Stock Exchange, for the period from 16 August 2010 to 26 May 2011.

Mr. HON Chun Yu

Mr. HON Chun Yu, aged 35, was appointed as an executive Director of the Company in January 2010. He has over eight 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 F(HK)S, a wholly-owned subsidiary of the Company.

Mr. XIA Yingyan

Mr. XIA Yingyan, aged 49, was appointed as non-executive Director on 8 December 2010 and was re-designated to executive Director on 5 May 2011. He graduated from Hainan University, majoring in both International Trade and Commerce and Business Administration. Mr. Xia possesses significant management experience in the PRC and Hong Kong trade and business. He was formerly the development manager of Hainan Huahai (Hong Kong) Limited, and the assistant to president of HNA Group (Hong Kong) Limited, a subsidiary of HNA Group. HNA Group is based in Hainan Province of the PRC whose shares are listed on PRC's A and B Stock Exchange Markets. Currently, Mr. Xia is the manager of Hainan Meilan International Airport Company Limited ("**Hainan Meilan**") where he is responsible for Hong Kong affairs. Hainan Meilan is a joint stock company incorporated in the PRC with limited liability whose issued shares are listed on the main board of the Stock Exchange.

Mr. YEUNG Kwok Leung

Mr. YEUNG Kwok Leung, aged 37, 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 13 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. He is currently an executive director of Morning Star Resources Limited, a company listed in the main board of the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. WONG Kam Fat, Tony

Mr. WONG Kam Fat, Tony, aged 48, was appointed as a non-executive Director in September 2009. He resigned as the chairman of the Company and was appointed as vice-chairman of the Company in April 2011. Mr. Wong 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 16 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. LAM Ka Wai, Graham

Mr. LAM Ka Wai, Graham, aged 43, 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 17 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, International Resources Enterprise Limited (formerly known as 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 Trasy Gold Ex Limited, companies listed on the Growth Enterprise Market of the Stock Exchange (the "**GEM**"). In addition, Mr. Lam was the independent non-executive director of China Oriental Culture Group Limited (formerly known as ZZNode Technologies Company Limited), a company listed on the Main Board of the Stock Exchange, from 29 January 2008 to 5 October 2010 and Finet Group Limited and Hao Wen Holdings Limited, companies listed on the GEM from 5 August 2009 to 24 January 2011 and from 17 November 2010 to 16 May 2011, respectively.

Mr. NG Kay Kwok

Mr. NG Kay Kwok, aged 49, 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 a member of CPA Australia and has extensive experience in accounting and financial management. He was an executive director and company secretary of M Dream Inworld Limited, a company listed on the GEM from 9 July 2010 to 31 May 2011 and from 1 January 2007 to 31 May 2011, respectively.

Mr. TAM B Ray Billy

Mr. TAM B Ray Billy, aged 43, 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 Degree of Laws from the University of London, Bachelor Degree of PRC Laws from Tsinghua University; and a Master Degree of Laws from The University of Hong Kong. He is an independent non-executive director of M Dream Inworld Limited, a company listed on the GEM. Mr. Tam is also a non-executive director of Eternite International Company Limited, a company listed on the GEM and a non-executive director of Milan Station Holdings Limited, a company listed on main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. CHANG Chih Ping, Tony

Mr. CHANG Chih Ping, Tony, aged 64, rejoined the Group in December 2006. He is a responsible officer of F(HK)S. Mr. Chang has over 26 years of experience in investment services business and has taken up directorships in Fortune Wealth Management Limited and Fortune Asset Management Limited, subsidiaries of the Company. He was 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. CHOW Wing Kit, Dennis

Mr. CHOW Wing Kit, Dennis, aged 52, joined the Group in August 2009. He is the managing director and head of investment of Fortune Asset Management Limited, a wholly-owned subsidiary of the Company, overseeing the fund management, compliance and operational issues. Mr. Chow has over 25 years of asset management, securities trading and investment banking experience. Mr. Chow was managing director and chief investment officer of three asset management companies which all are subsidiaries of different companies listed on the Stock Exchange. He holds a Bachelor Degree (Hons) and a Master of Business Administration Degree from The Chinese University of Hong Kong and the University of Hull, United Kingdom respectively. Mr. Chow is a member of Hong Kong Securities Institute, a member of Society of Registered Financial Planners, a Certified Risk Planner of The Institute of Crisis and Risk Management and a member of Securities Dealers Association of Japan.

Ms. LAU Kwan Ching, Josephine

Ms. Lau Kwan Ching, Josephine, aged 53, joined the Group in October 2009 to establish the financial communications subsidiary, Fortune Media Advisory Limited ("**FMAL**"). She is the managing partner of FMAL. She is responsible for the overall business development and operations management of FMAL. Ms. Lau graduated in Communications at the Hong Kong Baptist College in 1980s. Ms. Lau was among the first batch of local groomed media professionals in Hong Kong. Since then, she has served numerous multinational corporations in regional and global corporate communications and marketing capacities, including The Peninsula Group, Philips, National Semiconductor and IBM. She was also a founding director of Grey Public Relations in Hong Kong, a part of the Grey Group today.

Ms. Lau returned to campus in 1998 to read literature and cultural theories. Between 1998 and 2004, she obtained a Bachelor of Arts and a Master of Philosophy degree from the University of Hong Kong. Her consulting career features clients such as Dunhill, Cartier and Rothmans cigarettes, Ocean Park, 7– Eleven, Jardine Marketing Services, and more recently, SHINEWING (HK) CPA and CRYOLIFE cord blood storage programs.

Mr. KWOK Wai Shun

Mr. KWOK Wai Shun, aged 39, joined the Group in March 2005. He is a director and responsible officer of F(HK)S. Mr. Kwok holds a Bachelor Degree of Arts from the University of Toronto and has over eleven years experience in investment services business. He is responsible for overseeing the securities trading business.

Mr. POON Kwok Wah, Allan

Mr. POON Kwok Wah, Allan, aged 50, joined EFL in September 2000. He is the managing director of EFL which is a wholly-owned subsidiary of the Company and is responsible for overseeing the general operation, strategic and business development of EFL. Mr. Poon holds a Bachelor Degree of Accounting and Computer Science from the University of Kent at Canterbury, UK. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 25 years of finance, business development and accounting experience.

DIRECTORS' REPORT

REPORT OF DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2011 of the Group.

PROPOSED CHANGE OF COMPANY NAME

On 12 May 2011, the Board announced the proposed change of name of the Company from "China Fortune Group Limited 中國富強集團有限公司" to "China Fortune Financial Group Limited 中國富強金融集團有限公司".

The proposed change of Company name is subject to the Shareholder's approval at an extraordinary general meeting and the Registrar of Companies in the Cayman Islands approving the change of the Company name.

The Board considers that the new name will better reflect the nature and business development of the Company.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 48 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on pages 36 to 37 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: 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 18 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the share capital and convertible notes of the Company during the year are set out in notes 39 and 40 to the consolidated financial statements respectively.

RESERVES

Movements in the reserves of the Group during the year are set out on pages 40 and 41 of this annual report.

DISTRIBUTABLE RESERVES

At 31 March 2010 and 31 March 2011, the Company had no reserves available for distribution.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling 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 122 of this annual report. This summary does not form part of the audited financial statements.

CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2011, the Group made charitable contributions totaling HK$1,000,000.

SHARE OPTION SCHEME

Details of the Share Option Scheme are set out in note 42 to the consolidated financial statements.

No share option was granted to any director and employee of the Group during the year ended 31 March 2011 pursuant to the Share Option Scheme.

Movement of the Company's share option held by employees during the year ended 31 March 2011 was as follows:

	Option type	Date of grant	Fair value at grant date	Exercise price	Vesting period	Exercisable period	Outstanding as at 1 April 2010	Granted during the year ended 31 March 2011	Exercised during the year ended 31 March 2011 *(note a)*	Cancelled/ lapsed during the year ended 31 March 2011	Outstanding as at 31 March 2011
Employees of the Group in aggregate	2006A	2 August 2005	HK$0.34	HK$0.352	–	2 August 2005 to 1 August 2010	2,000,000	–	(2,000,000)	–	–
Total							2,000,000	–	(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 2011 was HK$0.50.

DIRECTORS

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

Executive Directors

Mr. ZHANG Min *(Chairman)*	(Appointed as non-executive Director on 8 December 2010, re-designated as executive Director and was appointed as chairman of the Company on 12 April 2011)
Mr. NG Cheuk Fan, Keith *(Managing Director)*	
Mr. HON Chun Yu	
Mr. XIA Yingyan	(Appointed as non-executive Director on 8 December 2010 and re-designated as executive Director on 5 May 2011)
Mr. YEUNG Kwok Leung	

Non-Executive Director

Mr. WONG Kam Fat, Tony *(Vice-Chairman)*	(Resigned as chairman of the Company and appointed as vice-chairman of the Company on 12 April 2011)

Independent Non-Executive Directors

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

In accordance with the article 99 of the Articles of Association of the Company ("**Articles of Association**"), Mr. Zhang Min and Mr. Xia Yingyan shall hold office only until the annual general meeting of the Company ("**AGM**") and, being eligible, offer themselves for re-election at the AGM.

In accordance with article 116 of the Articles of Association, Mr. Ng Cheuk Fan, Keith, Mr. Yeung Kwok Leung and Mr. Ng Kay Kwok shall retire 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 12 to 16 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 2011, 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 on the Listing Securities of the Stock Exchange (the "**Listing Rules**") were as follows:

Interests in Shares and underlying shares of the Company:

Name of Director	Number of 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 ("**Mr. Wong**") *(Note 1)*	480,000,000	1,120,000,000	63.69%
XIA Yingyan ("**Mr. Xia**") *(Note 1)*	480,000,000	1,120,000,000	63.69%

Notes:

1. As at 31 March 2011, Mr. Wong was the chairman and non-executive Director of the Company whereas Mr. Xia was a non-executive Director.

   Jadehero, a company incorporated in the British Virgin Islands with limited liability, was interested in 480,000,000 Shares and 1,120,000,000 underlying shares of the Company as at 31 March 2011. It is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited. Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited whereas Mr. Xia is the sole beneficial owner of the entire equity interest in Southlead Limited. Accordingly, Mr. Wong and Mr. Xia are deemed to be interested in these Shares. The underlying shares are Shares fall to be issued upon (i) full conversion of the convertible bonds pursuant to the Subscription Agreement and (ii) full exercise of Optional Bonds, in a maximum principal sum of HK$128 million that may fall to be issued by the Company upon full exercise of Option by Jadehero, and are convertible into a maximum of 800 million new Shares (pursuant to the Subscription Agreement and the Supplement Agreement).

Save as disclosed above, as at 31 March 2011, 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 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

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 was interested in any business, which compete or is likely to compete either directly or indirectly, with business of the Group during the year ended 31 March 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2011, 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 shares 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 2011
Pioneer (China) Limited *(Note 1)*	Beneficial owner	85,939,168	52,062,500	138,001,668	5.49%
Kademan Ltd *(Note 1)*	Interest of controlled corporation	85,939,168	52,062,500	138,001,668	5.49%
Chan Hoel Len *(Note 1)*	Interest of controlled corporation	85,939,168	52,062,500	138,001,668	5.49%
Lao Chio Kuan	Beneficial owner	200,000,000	–	200,000,000	7.96%
Top Good Holdings Limited *(Note 2)*	Beneficial owner	263,738,000	–	263,738,000	10.50%
One Express Group Limited *(Note 2)*	Beneficial owner	–	240,000,000	240,000,000	9.55%
PME Group Limited *(Note 2)*	Interest of controlled corporation	263,738,000	240,000,000	503,738,000	20.05%
Jadehero Limited *(Note 3)*	Beneficial owner	480,000,000	1,120,000,000	1,600,000,000	63.69%
Southlead Limited *(Note 3)*	Interest of controlled corporation	480,000,000	1,120,000,000	1,600,000,000	63.69%
Xia Yingyan *(Note 3)*	Interest of controlled corporation	480,000,000	1,120,000,000	1,600,000,000	63.69%
Marvel Steed Limited *(Note 3)*	Interest of controlled corporation	480,000,000	1,120,000,000	1,600,000,000	63.69%
Wong Kam Fat, Tony *(Note 3)*	Interest of controlled corporation	480,000,000	1,120,000,000	1,600,000,000	63.69%
Earning Smart Limited *(Note 4)*	Beneficial owner	140,000,000	–	140,000,000	5.57%
Mai Liu Ting *(Note 4)*	Interest of controlled corporation	140,000,000	–	140,000,000	5.57%
Mankind Investment Limited *(Note 5)*	Beneficial owner	500,000,000	–	500,000,000	19.90%
China Cinda (HK) Asset Management Co., Limited *(Note 5)*	Interest of controlled corporation	500,000,000	–	500,000,000	19.90%
Well Kent International Investment Company Limited *(Note 5)*	Interest of controlled corporation	500,000,000	–	500,000,000	19.90%
China Cinda Asset Management Co., Limited *(Note 5)*	Interest of controlled corporation	500,000,000	–	500,000,000	19.90%

Notes:

1. Pioneer is wholly-owned by Kademan Ltd, a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially owned by Mr. Chan Hoel Len. As such, Kademan Ltd and Mr. Chan Hoel Len are deemed to be interested in these Shares.

2. As at 31 March 2011, Top Good Holdings Limited, an indirectly wholly-owned subsidiary of PME Group Limited ("**PME**"), 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 10.5% of the issued share capital of the Company as at 31 March 2011).

   One Express Group Limited, an indirectly wholly-owned subsidiary of PME, owns (i) HK$4,000,000 of the zero coupon convertible bonds issued by the Company in the aggregate principal amount of HK$50,000,000 due 19 February 2012 with an initial conversion price of HK$0.10 per conversion share and (ii) the entire zero coupon convertible bonds issued by the Company in the aggregate principal amount of HK$32,000,000 with an initial conversion price of HK$0.16 per conversion share due on 30 June 2012. In all, PME is deemed to be interested in 503,738,000 shares as at 31 March 2011.

3. As at 31 March 2011, Mr. Wong was the chairman and non-executive Director of the Company whereas Mr. Xia was a non-executive Director.

   Jadehero, a company incorporated in the British Virgin Islands with limited liability, was interested in 480,000,000 Shares and 1,120,000,000 underlying shares of the Company as at 31 March 2011. It is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited. Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited whereas Mr. Xia is the sole beneficial owner of the entire equity interest in Southlead Limited. Accordingly, Mr. Wong and Mr. Xia are deemed to be interested in these Shares. The underlying shares are Shares fall to be issued upon (i) full conversion of the convertible bonds pursuant to the Subscription Agreement and (ii) full exercise of the Optional Bonds, in a maximum principal sum of HK$128 million that may fall to be issued by the Company upon full exercise of Option by Jadehero, and are convertible into a maximum of 800 million new Shares (pursuant to the Subscription Agreement and the Supplement Agreement).

4. Earning Smart Limited, a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially owned by Ms. Mai Liu Ting. Ms. Mai Liu Ting is therefore deemed to be interested in these Shares.

5. MIL, a company incorporated in the British Virgin Islands with limited liability. MIL is wholly-owned by China Cinda (HK), a company incorporated in Hong Kong with limited liability. China Cinda (HK) is in turn wholly-owned by Well Kent International Investment Company Limited ("**Well Kent**"), a company incorporated in Hong Kong with limited liability. Well Kent is in turn wholly-owned by China Cinda Asset Management Co. Ltd., a company incorporated in the PRC. As such each of China Cinda (HK), Well Kent and China Cinda is deemed to be interested in the aforesaid shares held by MIL.

Save as disclosed herein and to the knowledge of the Directors, as at 31 March 2011, 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/or administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

CONNECTED TRANSACTIONS

On 16 October 2009, Pioneer, Mr. Lao Chio Kuan ("**Mr. Lao**") and Fortune Financial entered into a deed of settlement (the "**Deed**"). Pursuant to the Deed, Fortune Financial agreed to waive, release and/or otherwise discharge (i) Mr. Lao from his outstanding obligations on the covenant and guarantee to the net profit of ESL for the year ended 31 December 2009 (the "**2009 ESL Net Profit**") and 31 December 2010 (the "**2010 ESL Net Profit**") shall not be less than HK$10 million and HK$12 million respectively in consideration of HK$510,000 paid by Mr. Lao, (ii) Pioneer from its outstanding obligations on the covenant and guarantee to 2009 ESL Net Profit and 2010 ESL Net Profit in consideration of HK$490,000 paid by Pioneer. As Mr. Lao and Pioneer were the substantial shareholder of the Company as at the date of the Deed and thus connected persons of the Company. The transaction constitutes a connected transaction which was approved by the Shareholders on 13 January 2010. As completion of the Deed is conditional upon the execution and completion of the ESL Disposal Agreement which was completed on 20 January 2011. The consideration of HK$1,000,000 in total was received from Mr. Lao and Pioneer on 19 May 2011 and the Deed was completed accordingly. (Details of the Deed was set out in the circular of the Company dated 22 December 2009)

Pursuant to the Supplemental Agreement dated 6 September 2010, the Company conditionally agreed to extend the Option Period from 12 months to 24 months, thereupon, the Optional Bonds, in a principal sum of HK$128 million may fall to be issued by the Company upon full exercise of the outstanding Option by Jadehero, and is convertible into a maximum of 800 million conversion shares of the Company, would expire on 6 September 2011.

Jadehero was a substantial Shareholder and was interested in 419,000,000 Shares and 1,181,000,000 underlying shares of the Company as at 6 September 2010. It was owned as to 60% by Marvel Steed Limited and 40% by Southlead Limited as at 6 September 2010. Mr. Wong Kam Fat, Tony, the vice-chairman and non-executive Director of the Company, is the sole beneficial owner of Marvel Steed Limited, while Mr. Xia Yingyan, the executive Director, is the sole beneficial owner of Southlead Limited. Accordingly, Jadehero, Marvel Steed Limited, Southlead Limited, Mr. Wong Kam Fat, Tony and Mr. Xia Yingyan are all connected persons of the Company. The Supplemental Agreement was approved by the Shareholders at the extraordinary general meeting of the Company held on 25 October 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

In the year under review, turnover attributable to the 5 largest customers of the Group accounted for less than 30% of the Group's total turnover for the year ended 31 March 2011.

None of the Directors of the Company or any of their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefit scheme of the Group and the employer's retirement benefit costs charged to the profit or loss for the year are set out in note 46 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 27 to 33 of this annual report.

AUDITOR

A resolution for the re-appointment of SHINEWING (HK) CPA Limited 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 June 2011

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 Provisions**") 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. Having made specific enquiry of all Directors who were in office during the financial year ended 31 March 2011, they have confirmed that they have complied with the Model Code during the financial 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 nine members, including five executive Directors, one non-executive Director and three independent non-executive Directors. Seven Board meetings were held during the financial year ended 31 March 2011. 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
Executive Directors				
ZHANG Min (appointed as Chairman and re-designated as executive Director of the Company both on 12 April 2011)	1/1	N/A	N/A	N/A
Ng Cheuk Fan, Keith	7/7	2/2	N/A	2/2
HON Chun Yu	7/7	N/A	N/A	N/A
XIA Yingyan (re-designated as executive Director on 5 May 2011)	1/1	N/A	N/A	N/A
YEUNG Kwok Leung	7/7	N/A	N/A	N/A

Directors	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Nomination Committee Meetings
Non-Executive Director				
WONG Kam Fat Tony (resigned as Chairman and appointed as Vice-Chairman of the Company both on 12 April 2011)	4/7	N/A	N/A	N/A
Independent non-executive Directors				
NG Kay Kwok[1]	7/7	2/2	2/2	2/2
Lam Ka Wai, Graham[2]	6/7	1/2	1/2	1/2
TAM B Ray Billy[3]	7/7	2/2	2/2	2/2

Notes:

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

As at 31 March 2011, Mr. Wong Kam Fat, Tony was the Chairman of the Company. Mr. Ng Cheuk Fan, Keith was appointed as the Managing Director of the Company in December 2007. 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 Managing Director is to work closely with audit committee, the nomination committee as well as the remuneration committee of the Company and to ensure that all key and appropriate issues are discussed by the Board in a timely and constructive manner. He is responsible for general management of the Group. In addition, he is responsible to work closely with other executive Directors to ensure management strategies, plans and performance of the Group are appropriately represented to the Board and to provide guidance to the Board on major issues. The division of responsibilities between the Chairman and the Chief Executive Officer (Managing Director) has been clearly established and set out in writing.

(D) NON-EXECUTIVE DIRECTORS

During the year under review, each of the non-executive Director and independent non-executive Directors 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 of the Company.

(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 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 senior management in connection with any loss or termination of their office or appointment; and

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

During the year under review, the remuneration committee of the Company held two meetings and significant matters discussed are summarized as follows:

– To review the remuneration package of all Directors and Senior Management; and

– To recommend the remuneration package of the newly appointed Directors to the Board for Approval

(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 of the Company held two meetings and has duly discharged the duties mentioned above.

(G) AUDITOR'S REMUNERATION

For the year ended 31 March 2011, the auditor's remuneration paid or payable in respect of the audit and other non-audit services provided by the auditor to the Group were as follows:

	HK$
Audit services	720,000
Non-audit related services	
– Other professional services	Nil

(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. Lam Ka Wai, Graham and Mr. Tam B Ray Billy. 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;

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

(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 2011 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 2011, 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 AGM is a valuable forum for the Board to communicate directly with the Shareholders. The Directors participated in the 2010 AGM and answered questions from the Shareholders. An AGM circular was distributed to all shareholders at least 20 clear business days prior to the 2010 AGM, setting out the details of each proposed resolution and other relevant information.

INDEPENDENT AUDITOR'S REPORT

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 36 to 121 which comprise the consolidated statement of financial position as at 31 March 2011, 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 of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement due to fraud or error.

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, in accordance with our agreed terms of engagement 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 judgement, 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 of the consolidated financial statements that give a true and fair view 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.

INDEPENDENT AUDITOR'S REPORT

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 2011 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 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	7	**110,666**	80,488
Cost of securities and futures brokerage and margin financing		**(22,165)**	(23,276)
Other revenue	9	**7,288**	13,176
Depreciation and amortisation		**(7,041)**	(3,023)
Salaries and allowances		**(39,978)**	(26,926)
Reversal of impairment loss on investment deposits		**–**	3,500
Change in fair value of financial assets designated as fair value through profit or loss		**(144)**	–
Gain (loss) on disposal of investment held		**2,062**	(1,002)
Change in fair value of derivative component of convertible loan notes		**2,863**	(18,525)
Change in fair value of guaranteed exchangeable notes	36	**(3,369)**	–
Discounts on acquisition of additional equity interest in a subsidiary		**–**	4,616
Gain on disposal of a subsidiary	44	**5,000**	–
Impairment loss	10	**(33,008)**	–
Other operating and administrative expenses		**(63,489)**	(37,238)
Finance costs	11	**(22,341)**	(15,454)
Loss before taxation	12	**(63,656)**	(23,664)
Taxation	13	**(1,859)**	(4,491)
Loss for the year		**(65,515)**	(28,155)
Discontinued operation			
Profit for the year	16	**–**	6,732
		(65,515)	(21,423)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**9**	–
Total comprehensive expenses for the year		**(65,506)**	(21,423)
Loss for the year attributable to:			
Owners of the Company		**(65,370)**	(23,711)
Non-controlling interests		**(145)**	2,288
		(65,515)	(21,423)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(65,361)**	(23,711)
Non-controlling interests		**(145)**	2,288
		(65,506)	(21,423)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Loss per share	17		
From continuing and discontinued operations			
Basic		**(3.53)**	(2.24)
Diluted		**(3.53)**	(2.24)
From continuing operations			
Basic		**(3.53)**	(2.88)
Diluted		**(3.53)**	(2.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Plant and equipment	18	**9,258**	5,829
Intangible assets	19	**2,741**	19,813
Other non-current assets	20	**2,632**	1,832
Goodwill	21	**–**	–
Available-for-sale financial assets	22	**1,948**	2,200
		16,579	29,674
Current assets			
Investments held for trading	23	**37,079**	1,170
Trade receivables	24	**331,887**	351,389
Loan receivable	25	**150,542**	–
Amount due from an investee company	26	**5,004**	–
Other receivables, deposits and prepayments	27	**26,782**	15,384
Convertible instruments designated as financial assets at fair value through profit or loss	28	**2,106**	–
Investment deposits	29	**66,619**	66,619
Amount due from a non-controlling shareholder of a subsidiary	30	**625**	500
Amounts due from directors	31	**–**	1,340
Bank balances and cash – trust	32	**112,652**	112,409
Bank balances and cash – general	32	**44,747**	34,052
		778,043	582,863
Assets classified as held for sale	16	**–**	72,575
		778,043	655,438
Current liabilities			
Bank overdrafts – secured	32	**–**	24
Trade payables, other payables and accruals	33	**151,627**	146,101
Other borrowings	34	**99,000**	172,800
Derivative component of convertible loan notes	40	**60,221**	63,084
Amounts due to directors	35	**–**	81
Guaranteed exchangeable notes	36	**81,169**	–
Convertible loan notes	40	**9,488**	–
Provision	37	**940**	940
Tax payable		**2,681**	3,506
		405,126	386,536
Liabilities associated with assets held for sale	16	**–**	39,052
		405,126	425,588
Net current assets		**372,917**	229,850
Total assets less current liabilities		**389,496**	259,524

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Capital and reserves			
Share capital	39	**251,202**	140,067
Reserves		**61,406**	12,598
Equity attributable to owners of the Company		**312,608**	152,665
Non-controlling interests		**145**	165
Total equity		**312,753**	152,830
Non-current liability			
Convertible loan notes	40	**76,743**	106,694
		389,496	259,524

The consolidated financial statements on pages 36 to 121 were approved and authorised for issue by the board of directors on 28 June 2011 and are signed on its behalf by:

Zhang Min
Director

Yeung Kwok Leung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2011

	Attributable to owners of the Group											
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Share warrants reserve HK$'000	Translation reserve HK$'000	Convertible loan notes equity reserve HK$'000	Special reserve HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling 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 non-controlling interest 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 (Note 39 (a))	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 (Note 42)	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2011

	Attributable to owners of the Group											
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Share warrants reserve HK$'000	Translation reserve HK$'000	Convertible loan notes equity reserve HK$'000	Special reserve HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	140,067	250,520	615	552	–	28,086	13,524	1,863	(282,562)	152,665	165	152,830
Other comprehensive income for the year	–	–	–	–	9	–	–	–	–	9	–	9
Loss for the year	–	–	–	–	–	–	–	–	(65,370)	(65,370)	(145)	(65,515)
Total comprehensive expense for the year	–	–	–	–	9	–	–	–	(65,370)	(65,361)	(145)	(65,506)
Capital contribution from a non-controlling interest shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	125	125
Issue of new shares (Note 39 (b))	78,053	113,962	–	–	–	–	–	–	–	192,015	–	192,015
Transaction costs attributable to issue of new shares	–	(1,387)	–	–	–	–	–	–	–	(1,387)	–	(1,387)
Issue of new shares upon exercise of share options (Note 42)	200	1,119	(615)	–	–	–	–	–	–	704	–	704
Conversion of convertible loan notes (Note 39 (c))	32,882	13,336	–	–	–	(12,246)	–	–	–	33,972	–	33,972
At 31 March 2011	251,202	377,550	–	552	9	15,840	13,524	1,863	(347,932)	312,608	145	312,753

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation for:		
Continuing operations	**(63,656)**	(23,664)
Discontinued operation	**–**	6,732
	(63,656)	(16,932)
Adjustments for:		
Changes in fair value of derivative component of convertible loan notes	**(2,863)**	18,525
Finance costs	**22,341**	15,454
Gain on fair value changes of investments held for trading	**(1,427)**	(728)
Depreciation of plant and equipment	**3,041**	2,366
(Gain) loss on disposal of investment held for trading	**(8,159)**	1,002
Amortisation of intangible assets	**4,000**	667
Write off of investment deposits	**–**	100
Discount on acquisitions of subsidiaries	**–**	(4,616)
Impairment loss recognised in respect of trade receivables	**16,421**	–
Impairment loss recognised in respect of intangible assets	**15,333**	–
Impairment loss recognised in respect of available-for-sale financial assets	**1,254**	–
Change in fair value of guaranteed exchangeable note	**3,369**	–
Change in fair value of financial assets designated as fair value through profit or loss	**144**	–
Write off of plant and equipment	**69**	–
Reversal of impairment loss on investment deposits	**–**	(3,500)
Profit guarantee compensation	**(1,000)**	(3,087)
Gain on disposal of a subsidiary	**(5,000)**	(6,234)
Reversal of impairment loss in respect of trade receivables	**(62)**	(459)
Write back of long outstanding trade payables, other payables and accruals	**(409)**	(247)
Interest income on financial institutions	**(22)**	(4)
Interest income from loan receivable	**(542)**	–
Operating cash flow before movements in working capital	**(17,168)**	2,307
Increase in other non-current assets	**(698)**	(102)
Decrease (increase) in trade receivables	**31,467**	(303,398)
Decrease (increase) in other receivables, deposits and prepayments	**1,435**	(12,316)
Decrease (increase) in amounts due from directors	**1,340**	(564)
Increase in bank balances and cash – trust	**(328)**	(68,740)
(Decrease) increase in trade payable, other payables and accruals	**(4,451)**	108,272
Cash from (used in) operations	**11,597**	(274,541)
Income taxes paid	**(2,612)**	(1,504)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**8,985**	(276,045)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2011

	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES		
Increase in loan receivables	**(150,000)**	–
Net cash outflow from investment held for trading	**(37,023)**	(1,002)
Purchase of plant and equipment	**(6,456)**	(3,494)
Advance to an investee company	**(5,004)**	–
Net cash inflow in respect of the acquisitions of subsidiaries	**(2,586)**	–
Purchase of convertible instruments designated at financial assets at fair value through profit or loss	**(2,250)**	–
Purchase of available-for-sale financial assets	**(1,002)**	(2,200)
Net cash outflow in respect of the disposal of subsidiaries	**8,871**	(44)
Interest received	**22**	4
Increased in investment deposits	**–**	(20,812)
Profit guarantee compensation received	**–**	3,087
Purchase of intangible assets	**–**	(8,341)
NET CASH USED IN INVESTING ACTIVITIES	**(195,428)**	(32,802)
FINANCING ACTIVITIES		
Proceeds from issue of new shares	**192,015**	–
Proceeds from issue of Guaranteed Exchangeable Note	**77,800**	–
Other borrowings raised	**59,000**	202,300
Proceeds from issue of new shares upon exercise of share options	**704**	1,971
Repayment of borrowings	**(132,800)**	(29,500)
Interest paid	**(8,832)**	(3,362)
Share issue expenses	**(1,387)**	–
Repayment to a director	**(81)**	–
Proceeds from issue of convertible loan notes	**–**	160,000
Advance from a director	**–**	71
NET CASH FROM FINANCING ACTIVITIES	**186,419**	331,480
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(24)**	22,633
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**44,771**	22,138
	44,747	44,771
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by		
Bank balances and cash – general (Note 32)	**44,747**	44,795
Bank overdrafts	**–**	(24)
	44,747	44,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2011

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 ("HKFRS"s)

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standards ("**HKAS**") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Interpretation ("**Int**") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interest in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

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

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised) and HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results, of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRS (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of Interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (2011)	Separate Financial Statements[6]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[6]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 January 2011.
[4] Effective for annual periods beginning on or after 1 July 2011.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2013.

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

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured either at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

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

HKFRS 3 (Revised) Business Combinations (Continued)

HKAS 24 titled Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (Revised) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)– Int 19 will affect the required accounting. In particular, under HK(IFRIC)– Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of 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. Historical cost is generally based on the fair value of consideration given in exchange for assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

(b) Business combinations

Business combination that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the conditions for recognition under HKFRS 3 "Business Combinations" were recognised at their fair values at the acquisition date.

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

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or disposal group) of cash generating units, that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On 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.

(d) Non-current assets classified as held for sale

Non-current assets or disposal group 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 non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue recognition (Continued)

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

Realised fair value gains or losses on securities trading are recognised on a trade date basis whilst unrealised fair value gains or losses are recognised on change in fair value at the end of the reporting period.

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.

(f) Plant and equipment

Plant and equipment held for use in the production or supply of goods or services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method.

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.

(g) Other non-current assets

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

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leasing (Continued)

The Group as lessee

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

(i) 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 the respective 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 the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Retirement benefit costs

Payments to the stated-managed retirement benefits scheme/the Mandatory Provident Fund Scheme are charged as an expense when the employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 temporary 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. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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. Deferred tax assets arising from deductible temporary difference associated with such investment and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. 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).

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).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(n) Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("**FVTPL**"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. 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 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

– the financial asset forms part of a group of financial assets of 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 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 be designated at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

***Financial assets** (Continued)*

Financial assets at fair value through profit or loss (Continued)

Financial assets at FVTPL are measured at fair value, with any gains or losses 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 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. Subsequent to initial recognition, loans and receivables (including trade receivables, loan receivable, amount due from an investee company, other receivables and deposits, amounts due from a non-controlling shareholder of a subsidiary/directors and bank and cash balances) 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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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 measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

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 affected.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment loss on financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest and principal payments; or

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

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables and loan 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.

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 and loan 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment loss on financial assets (Continued)

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.

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 into 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.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are designated as at FVTPL on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

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

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses 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 bank overdrafts, trade payables, other payables and accruals, other borrowings and amounts due to directors are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes contains liability and equity components

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

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

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes reserve until the embedded option is exercised (in which case 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 reserve will be released to the 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 bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction 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 bond using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Convertible loan notes contains liability, equity components and conversion derivative

Convertible loan notes issued by the Group that contain the liability, conversion option and derivative (which is not closely related to the 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 values 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 conversion derivative are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (Continued)

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

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 recognised in profit or 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, 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 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(p) Provision

Provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is 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).

(q) Equity settled share-based payment transactions

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

(r) 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.

(s) 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, ordinary shares at par value were issued.

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

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.

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.

Estimated impairment loss of trade receivables

The policy for impairment loss in respect of trade receivable of the Group is based on the evaluation of collectability, ageing analysis of accounts, the value of underlying collaterals 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 those client in default of settlement. 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 2011 of approximately HK$16,421,000 (2010: nil) was recognised.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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. For the year ended 31 March 2011, there are no impairment loss recognised in respect of other receivables (2010: nil).

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 written-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. Estimating 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. Impairment loss for intangible assets for the year ended 31 March 2011 of approximately HK$15,333,000 (2010: nil) was recognised. As at 31 March 2011, the carrying amount of intangible assets was approximately HK$2,741,000 (2010: HK$19,813,000).

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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.

Fair value of convertible instruments designated as financial assets at fair value through profit or loss, fair value of convertible loan notes and fair value of guaranteed exchangeable notes

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

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.

Provision in respect of litigation

The Group has been involved in litigation in respect of the compensation for damage incurred to the rented premises. Provisions on the possible obligation have been made based on management's best estimates and judgments together with the legal advice.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes other borrowings disclosed in Note 34, guaranteed exchangeable notes disclosed in Note 36 and convertible loan notes disclosed in Note 40, 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 2011 and 2010.

5. CAPITAL RISK MANAGEMENT (Continued)

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.

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

	2011 HK$'000	2010 HK$'000
Financial assets		
– Loans and receivables		
(including cash and cash equivalents)	**671,319**	514,943
– Available-for-sale financial assets	**1,948**	2,200
– Financial assets at fair value through profit or loss	**39,185**	1,170
Financial liabilities		
– Designated at FVTPL	**81,169**	–
– At amortised cost	**336,858**	425,700
– Derivative of convertible loan notes	**60,221**	63,084

Financial liabilities designated as at FVTPL

	2011 HK$'000	2010 HK$'000
Difference between carrying amount and maturity amount		
At fair value	**81,169**	–
Amount payable at maturity	**92,661**	–
	11,492	–

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, investments held for trading, convertible instrument designated at fair value through profit or loss, trade receivables, loan receivable, other receivables and deposits, amounts due from directors, amount due from a non-controlling shareholder of a subsidiary, amount due from an investee company, bank and cash balances-general, bank overdrafts, other borrowings, trade payables, other payables and accruals, guaranteed exchangeable notes 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's exposure to currency risk is minimal. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise.

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

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("**RMB**")	**3,600**	643	**1,080**	72
United States Dollars ("**USD**")	**10,334**	131	**80,607**	947

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$ exchange rates and insignificant exposure of other foreign currencies as at the end of the reporting period. The Group's exposure to RMB is minimal as there are immaterial balances on monetary assets and liabilities denominated in RMB. Accordingly, no foreign currency sensitivity is disclosed.

6. FINANCIAL INSTRUMENTS (Continued)

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

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.

Financial instruments with variable interest rate in nature

	2011 **HK$'000**	2010 HK$'000
Assets		
– Trade receivables		
– cash clients	**14,593**	36,076
– margin clients	**291,447**	301,725
– Amount due from a director	**–**	1,340
– Bank balances and cash – general	**44,747**	23,254
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 2011, if the interest rate of borrowings and trade receivables from cash and margin clients had been 100 (2010: 100) basis point higher/lower, the Group's loss for the year would decrease/increase by approximately HK$2,555,000 (2010: decrease/increase in loss for the year of approximately HK$2,827,000).

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.

6. FINANCIAL INSTRUMENTS (Continued)

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

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

Sensitivity analysis

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

If the prices of the respective equity instruments had been 5% (2010:5%) higher/lower:

– loss for the year ended 31 March 2011 would decrease/increase by approximately HK$1,854,000 as a result of the changes in fair value of investments held for trading. In 2010, the Group's loss for the year ended 31 March 2010 would decrease/increase by approximately HK$58,000.

Liquidity risk

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

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

The maturity portfolio of the Group's financial liabilities as at the 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
2011					
Non-derivative financial liabilities					
Trade payables, other payables and accruals	151,627	–	–	151,627	151,627
Guaranteed exchangeable notes	80,912	–	–	80,912	81,169
Other borrowings	104,247	–	–	104,247	99,000
Convertible loan notes	12,000	91,530	–	103,530	86,231
	348,786	91,530	–	440,316	418,027

6. FINANCIAL INSTRUMENTS (Continued)

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

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

***Liquidity risk** (Continued)*

	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

Credit risk

As at 31 March 2011, 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 recognise 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 Hong Kong, which accounted for 100% (2010: 100%) of the total trade receivable as at 31 March 2011.

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

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

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

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

- the fair value of derivative instruments is calculated using a discounted cash flow analysis performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; 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 mode.

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.

Fair value measurement 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).

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

Fair value measurement recognised in the consolidated statement of financial position *(Continued)*

As at 31 March 2011	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets at FVTPL			
– Listed securities listed in Hong Kong	37,079	–	37,079
– Convertible instruments designated at financial assets at fair value through profit or loss	–	2,106	2,106
	37,079	2,106	39,185
Financial liabilities at FVTPL			
– Guaranteed exchangeable notes	–	81,169	81,169
– Derivative financial liabilities	–	60,221	60,221
	–	141,390	141,390

As at 31 March 2010	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:

	2011 HK$'000	2010 HK$'000
Consultancy and subscription service income	**2,810**	–
Income from securities, futures and insurance brokerage business	**68,043**	63,804
Margin interest income from securities brokerage business	**32,289**	16,684
Net gain on trading of listed securities	**7,524**	–
	110,666	80,488

8. SEGMENT INFORMATION

The Group's operating segment, based on information reported to the chief operating decision maker, the board of directors, for the purpose of resources allocation and performance assessment are as follows:

1) The broking and margin financing segment engages in securities, futures and insurance brokerage and margin financing in Hong Kong.

2) The trading and investment segment engages in investment holding and proprietary trading of securities.

3) Others

Although trading and investment does not meet the quantitative threshold required by HKFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the board of directors as a segment with potential growth and is expected to significantly contribute to group revenue in future.

Other operation includes consultancy service income only. None of this segment meets any of the quantitative thresholds for determining reportable segments in 2010.

Information regarding the above segments is reported below.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

For the year ended 31 March 2011

	Broking and margin financing HK$'000	Trading and investment HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue					
External revenue	100,332	7,524	2,810	–	110,666
Inter-segment revenue (note)	–	–	636	(636)	–
	100,332	7,524	3,446	(636)	110,666
Segment profit (loss)	14,986	6,061	(472)	–	20,575
Unallocated operating income					8,029
Unallocated operating expense					(74,269)
Change in fair value of financial assets designated as fair value through profit or loss					(144)
Change in fair value of guaranteed exchangeable notes					(3,369)
Change in fair value of derivative component of convertible loan notes					2,863
Gain on disposal of a subsidiary					5,000
Finance costs					(22,341)
Loss before taxation					(63,656)

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

The accounting policies of the reportable segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) attributable to each segment without allocation of administration expenses, change in fair value of financial assets designated as fair value through profit or loss, change in fair value of derivative component of convertible loan notes, gain on disposal of a subsidiary, finance costs, interest income and taxation. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

No segment information is presented for the year ended 31 March 2010 as the Group only operate in the broking and margin financing segment and all revenue, expenses, results, assets and liabilities and capital expenditures are predominately attributable to this single operating segment.

Segment assets and liabilities

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

	At 31 March 2011 HK$'000
Segment assets	
Continuing operations	
Broking and margin financing	451,303
Trading and investment	39,712
Others	144
Total segment assets	491,159
Unallocated	303,463
Consolidated total assets	794,622
Segment liabilities	
Broking and margin financing	201,063
Trading and investment	345
Others	206
Total segment liabilities	201,614
Unallocated	280,255
Consolidated total liabilities	481,869

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to reportable segments other than available-for-sale financial assets, amount due from an investee company, other receivables, deposits and prepayments, convertible instruments designated at financial assets at fair value through profit or loss, investment deposits and bank balances and cash – general; and

- all liabilities are allocated to reportable segments other than other payables and accruals, other borrowings, derivative component of convertible loan notes, guaranteed exchangeable notes, provisions and tax payable.

	Broking and margin financing HK$'000	Trading and investments HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 March 2011					
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets	644	5	–	5,807	6,456
Depreciation and amortisation	1,374	5	573	5,089	7,041
Impairment loss on					
– Available-for-sales financial assets	–	–	–	1,254	1,254
– Intangible assets	–	–	–	15,333	15,333
– Trade receivables	16,421	–	–	–	16,421

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	Broking and margin financing HK$'000	Trading and investments HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Interest income	(3)	–	–	(561)	(564)
Change in fair value of financial assets designated as fair value through profit or loss	–	–	–	144	144
Change in fair value of guaranteed exchangeable notes	–	–	–	3,369	3,369
Change in fair value of derivative component of convertible loan notes	–	–	–	(2,863)	(2,863)
Gain on disposal of a subsidiary	–	–	–	(5,000)	(5,000)
Finance cost	5,972	–	–	16,369	22,341

For both years ended 31 March 2011 and 2010, the Group did not have any customer contributed more than 10% of the Group's aggregate revenue.

9. OTHER REVENUE

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Management fees income	**1,868**	6,061
Profit guarantee compensation (note)	**1,000**	3,087
Handling charges	**203**	498
Interest income on financial institutions	**22**	4
Interest income from loan receivable	**542**	–
Write back of long outstanding trade payables, other payables and accruals	**409**	247
Net exchange gain	**639**	–
Gain on fair value changes of investments held for trading	**–**	728
Reversal of impairment loss on recognised in respect of trade receivables (Note 24)	**62**	459
Sub-letting income from rental premises	**1,702**	2,004
Sundry income	**841**	88
	7,288	13,176

Note:

The profit guarantee compensation for the year represented the settlement consideration received from the former owners of Excalibur Securities Limited ("**ESL**") pursuant to a deed of settlement dated 16 October 2009 which entitle the Group to receive HK$1,000,000 from former owners of ESL upon the completion of the disposal of ESL in order to waive the profit guarantee of ESL as set out in the sales and purchase agreement. The details are set out in the circular of the Company dated 22 December 2009.

The profit guarantee compensation for the year ended 31 March 2010 represented the excess profit guarantee for the year ended 31 December 2009 after the adjustment to the consideration for acquisition of ESL as set out in Note 21.

10. IMPAIRMENT LOSS

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Impairment loss on:		
Available-for-sales financial assets (Note 22)	**1,254**	–
Intangible assets (Note 19)	**15,333**	–
Trade receivables (Note 24)	**16,421**	–
	33,008	–

11. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Continuing operations		
Interest on:		
Bank overdrafts	**27**	75
Other borrowings	**8,805**	3,287
Imputed interest expenses on convertible loan notes (Note 40)	**13,509**	12,092
	22,341	15,454

12. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2011 HK$'000	2010 HK$'000
Continuing operations		
Auditor's remuneration		
– current year	**720**	638
– under-provision in prior years	**–**	25
	720	663
Depreciation of plant and equipment	**3,041**	2,366
Amortisation of intangible assets	**4,000**	667
Total staff costs:		
– directors' remuneration (Note 14)	**3,743**	3,316
– salaries and allowance	**34,834**	22,765
– retirement benefit scheme contributions (excluding directors)	**1,401**	845
	39,978	26,926
Operating lease in respect of rented premises	**15,036**	12,981
Write off of investment deposits	**–**	100

13. TAXATION

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Current taxation		
Hong Kong Profits Tax		
– Provision for the year	**1,783**	4,491
– Under-provision for prior year	**76**	–
	1,859	4,491

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 March 2011.

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

	2011	2010
	HK$'000	HK$'000
Loss before taxation from continuing operations:	**(63,656)**	(23,664)
Tax at domestic income tax rate	**(11,023)**	(3,905)
Tax effect of expenses not deductible for tax purposes	**4,297**	10,436
Tax effect of income not taxable for tax purpose	**(1,668)**	(1,853)
Tax effect of deductible temporary difference not recognised	**2,737**	–
Utilisation of tax losses previously not recognised	**–**	(1,154)
Tax effect of tax losses not recognised	**7,440**	967
Under-provision for prior years	**76**	–
Taxation for the year	**1,859**	4,491

Details of deferred tax are set out in Note 38.

14. DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS

(a) Directors' emoluments

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

		Other emoluments		
	Directors' fees	Salaries, allowances and other benefits in kind	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2011				
Executive directors:				
ZHANG Min[1]	113	–	–	113
NG Cheuk Fan, Keith	130	920	12	1,062
YEUNG Kwok Leung	130	920	12	1,062
HON Chun Yu	643	–	–	643
XIA Yingyan[2]	113	–	–	113
Non-executive directors:				
WONG Kam Fat, Tony	390	–	–	390
Independent non-executive directors:				
LAM Ka Wai, Graham	120	–	–	120
NG Kay Kwok	120	–	–	120
TAM B Ray Billy	120	–	–	120
	1,879	1,840	24	3,743

14. DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

		Other emoluments		
	Directors' fees	Salaries, allowances and other benefits in kind	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[5]	182	50	–	232
YEUNG Kwok Leung	130	1,020	12	1,162
HON Chun Yu[3]	100	–	–	100
Non-executive directors:				
WONG Kam Fat, Tony[4]	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

1 Appointed on 8 December 2010 as non-executive director and re-designated as executive director on 12 April 2011
2 Appointed on 8 December 2010 as non-executive director and re-designated as executive director on 5 May 2011
3 Appointed on 22 January 2010
4 Appointed on 11 September 2009
5 Resigned on 11 September 2009

There was no arrangement under which directors waived or agreed to waive any emoluments during the two years ended 31 March 2011 and 2010. No emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office.

14. DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS (Continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, none (2010: none) was directors of the Company whose emoluments are set out above. The emoluments of the five (2010: five) highest paid individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries, allowances and other benefits in kind	**4,102**	3,217
Performance related incentive payments	**5,662**	9,798
Retirement benefits scheme contributions	**24**	33
	9,788	13,048

The emoluments of the five (2010: five) highest paid employees fall in the following bands:

	Number of individuals	
	2011	2010
	HK$'000	HK$'000
Emoluments bands		
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**3**	1
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
	5	5

During the two years ended 31 March 2011 and 2010, no emoluments were paid to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the two years ended 31 March 2011 and 2010.

16. 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 YSH Group 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 during the year ended 31 March 2010.

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 the Company conditionally agreed to sell and Faith Star conditionally agreed to buy the entire interests in 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. The assets and liabilities attributable to ESL have been classified as held for sale and are presented separately in the consolidated statement of financial position (see below). The disposal was completed on 20 January 2011, on which date the control of ESL passed to the acquirer. Details of disposal refer to Note 44(a).

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

	2011 **HK$'000**	2010 HK$'000
Profit from electrical engineering contracting	–	516
Loss from sale of electrical goods	–	(18)
Gain on disposal of subsidiaries (Note 44)	–	6,234
	–	6,732

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

The results of discontinued operations for the period ended 31 January 2010 are as follows:

	Electrical engineering contracting	**Sale of electrical goods**	**Total**
	Period ended 31/1/2010	**Period ended 31/1/2010**	**Period ended 31/1/2010**
	HK$'000	HK$'000	HK$'000
Turnover	483	1	484
Cost of sales and services rendered	(33)	(1)	(34)
Gross profit	450	–	450
Other revenue	916	3	919
Other operating and administrative expenses	(850)	(21)	(871)
Profit (loss) before tax from discontinued operations	516	(18)	498
Taxation	–	–	–
Profit (loss) for the period	516	(18)	498
Profit for the period from discontinued operations include the following:			
Depreciation of plant and equipment	10	–	10
Staff costs	355	–	355
Contribution to retirement benefit scheme	17	–	17

The cash flows of the discontinued operations were as follows:

	2011	2010
	HK$'000	HK$'000
Net cash inflow from operating activities	–	254
Net cash inflow from financing activities	–	(321)
Total cash outflow inflow	–	(67)

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

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

The carrying amounts of assets and liabilities of the YSH Group at the date of disposal are disclosed in Note 44(b).

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, were 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 (Note 32)	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

17. LOSS PER SHARE

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

	2011 **HK$'000**	2010 HK$'000
Loss for the purpose of both basic and diluted earnings per share	**(65,370)**	(23,711)

17. LOSS PER SHARE (Continued)

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

	2011 **'000**	2010 '000
Weighted average number of ordinary shares for the purpose of computation of basic and diluted loss per share	**1,849,914**	1,056,231

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:

	2011 **HK$'000**	2010 HK$'000
Loss for the year attributable to owners of the Company	**(65,370)**	(23,711)
Less: profit for the period from discontinued operation (Note 16)	**–**	(6,732)
Loss for the year for the purpose of computation of basic loss per share from continuing operations	**(65,370)**	(30,443)

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

From discontinued operation

Basic profit per share for the discontinued operation was HK0.64 cents per share for the year ended 31 March 2010, based on the profit for the year from the discontinued operation attributable to the owners of the Company of approximately HK$6,732,000 and the denominators detailed above for basic loss per share.

Calculation of diluted earnings per share

The calculation of diluted loss per share for the year ended 31 March 2011 and 2010 does not assume the exercise of the Company's options as exercise price of the share options was higher than the average market price for shares.

The calculation of loss per share for the two years ended 31 March 2011 and 2010 does not assume the conversion of the convertible loan notes since their conversion would result in a decrease in loss per share.

The calculation of loss per share for the year ended 31 March 2011 and 2010 does not assume the exercise of the Company's warrants since their exercise would result in a decrease in loss per share.

18. 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 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 and 1 April 2010	2,445	180	3,244	3,781	9,650
Additions through acquisition of a subsidiary	–	–	14	–	14
Additions	1,019	–	1,743	3,694	6,456
Written off	–	–	(426)	–	(426)
At 31 March 2011	3,464	180	4,575	7,475	15,694
ACCUMULATED DEPRECIATION					
At 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 and 1 April 2010	885	56	1,850	1,030	3,821
Provided for the year	498	45	805	1,693	3,041
Eliminated on written off	–	–	(426)	–	(426)
At 31 March 2011	1,383	101	2,229	2,723	6,436
CARRYING VALUES					
At 31 March 2011	2,081	79	2,346	4,752	9,258
At 31 March 2010	1,560	124	1,394	2,751	5,829

18. PLANT AND EQUIPMENT (Continued)

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%

19. INTANGIBLE ASSETS

	License right	**Trading rights**	**Trading software**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 April 2009	–	980	–	980
Additions	–	–	20,000	20,000
Reclassified as assets held for sale	–	(500)	–	(500)
At 31 March 2010 and 1 April 2010	–	480	20,000	20,480
Additions through acquisition of a subsidiary	2,261	–	–	2,261
At 31 March 2011	2,261	480	20,000	22,741
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2009	–	–	–	–
Provided for the year	–	–	667	667
At 31 March 2010 and 1 April 2010	–	–	667	667
Provided for the year	–	–	4,000	4,000
Impairment losses	–	–	15,333	15,333
At 31 March 2011	–	–	20,000	20,000
CARRYING VALUES				
At 31 March 2011	2,261	480	–	2,741
At 31 March 2010	–	480	19,333	19,813

19. INTANGIBLE ASSETS (Continued)

All the Group's intangible assets were acquired from third parties.

The license right represents the license for carrying out asset management business in Hong Kong. The license right has no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the license right is considered by the management of the Group as having an indefinite useful life. The license right will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

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.

Impairment review on the intangible assets

The basis of the recoverable amounts of the intangible assets and its major underlying assumptions are summarised below:

License right

The recoverable amount of the license right has been determined based on the value in use calculation. That calculation uses cash flow projections based on the relevant financial budgets approved by the management covering a four-year period and discount rate of 18.5% per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/ outflow which include budgeted fund size, management fee, staff cost and other operating expenses, such estimation is based on managements' expectation for the asset management business. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the license right to exceed the recoverable amount of the license right.

Trading right

The recoverable amount of the trading right has been determined based on the value in use calculation. That calculation uses cash flow projections based on the relevant financial budgets approved by the management covering a four-year period and discount rate of 18.5% per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/ outflow which include budgeted income from future brokerage, staff cost and other operating expenses, such estimation is based on managements' expectation for the future brokerage business. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the trading right to exceed the recoverable amount of the trading right.

Trading software

During the year ended 31 March 2011, the director of the Company conducted a review of the Group's trading software since the number of users subscribed to use the trading software is substantially lower than original estimation and determined that no benefits will be generated for the trading software in the foreseeable future due to continuous decrease in demand of the relevant software and accordingly, the carrying amounts of the trading software was fully impaired. The impairment loss of HK$15,333,000 had been recognised during the year ended 31 March 2011.

20. OTHER NON-CURRENT ASSETS

	2011 HK$'000	2010 HK$'000
At cost:		
Deposits paid to the Stock Exchange		
– Compensation fund deposits	**50**	50
– Fidelity fund deposits	**50**	50
– Stamp duty deposits	**150**	75
– Membership deposits	**1,500**	1,500
– Statutory deposit	**782**	57
Deposits paid to Hong Kong Securities Clearing Company Limited		
– Guarantee fund contribution	**50**	50
– Admission fees	**50**	50
	2,632	1,832

21. GOODWILL

	HK$'000
Cost	
At 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 and 31 March 2011	–
Carrying value	
At 31 March 2011	–
At 31 March 2010	–

The goodwill was arising on 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.

21. GOODWILL (Continued)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU, which covers the above goodwill was determined from a value-in-use calculation. The calculation was 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 were 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 were based on industry growth forecasts and expectations of future changes in the relevant markets.

The valuation covered five-year cash flow forecasts derived from the CGU's financial budgets for 2009 to 2013, of which were approved by the management of the ESL. The rate used to discount the cash flow forecasts is 12.88% per annum.

The directors of the Company expected the securities brokerage businesses has an average growth rate of 6% per annum were 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 attributable to the adjustment to the consideration paid after the profit guarantee for ESL was not met for the year ended 31 December 2009.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 **HK$'000**	2010 HK$'000
Unlisted securities		
Equity securities, at cost less impairment loss (Note)	**1,948**	2,200

Note:

The unlisted investment represents investment in unlisted equity interests in private entities incorporated in 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.

For the year ended 31 March 2011, certain of the Group's available-for-sale unlisted equity securities are determined to be impaired based on their financial information, accordingly impairment loss of HK$1,254,000 (2010: Nil) had been recognised for the year ended 31 March 2011. The directors of the Company are of the opinion that the impairment made is based on their best estimation with reference to the circumstances of the investee companies.

23. INVESTMENTS HELD FOR TRADING

	2011 HK$'000	2010 HK$'000
Listed investments		
– Equity securities listed in Hong Kong	**37,079**	1,170

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

24. TRADE RECEIVABLES

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

	2011 HK$'000	2010 HK$'000
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	**14,643**	36,070
– margin clients	**301,469**	301,809
Trade receivables from the business of dealing in futures		
– clearing houses and cash clients	**32,138**	13,581
Trade receivables from other businesses	**132**	65
	348,382	351,525
Less: Impairment loss recognised	**(16,495)**	(136)
	331,887	351,389

As at 31 March 2011, the Group had trade receivables balance of approximately HK$13,187,000 (2010: HK$131,000) 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.

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

24. TRADE RECEIVABLES (Continued)

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

	2011 HK$'000	2010 HK$'000
Less than 30 days	**28,595**	17,026
31 to 60 days	**1,499**	11,146
61 to 90 days	**715**	7,060
Over 90 days	**9,581**	14,432
	40,390	49,664

Trade receivables to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$1,127,563,000 (2010: HK$3,003,584,000) which can be sold at the Group's direction to settle any margin call requirements imposed by their respective securities transactions. The trade receivables from cash and margin customers are repayable on demand and bear interest at commercial rates. As at 31 March 2011, included in the total trade receivables, approximately HK$299,699,000 (2010: HK$337,808,000) were interest bearing whereas approximately HK$32,188,000 (2010: HK$13,581,000) 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$14,989,000 (2010: HK$36,851,000) which were past due as at the reporting date for which the Group has not provided for impairment loss.

At 31 March 2011 and 2010, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	2011 HK$'000	2010 HK$'000
Less than 30 days	**3,194**	4,238
31 to 90 days	**2,214**	18,181
Over 90 days	**9,581**	14,432
	14,989	36,851

24. 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. The Group holds the pledged securities at fair values of approximately HK$224,390,000 over these balances (2010: HK$312,303,000).

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

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	136	1,598
Reclassified as assets held for sale	–	(858)
Disposal of subsidiaries	–	(145)
Reversal of impairment loss recognised (Note 9)	(62)	(459)
Recognised impairment loss during the year (Note 10)	16,421	–
Balance at end of the year	16,495	136

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$16,495,000 (2010: HK$136,000) were individually impaired trade debtors who were in financial difficulties. The Group doesn't hold any collateral over these balances.

25. LOAN RECEIVABLE

	2011 HK$'000	2010 HK$'000
Secured loan receivable	150,542	–

The secured loan receivable is secured by transferrable convertible bonds issued by a listed company and bear interest at a fixed interest rate at 12% per annum and repayable on 21 September 2011.

At 31 March 2011, a loan receivable was neither past due nor impaired and aged within 30 days.

Details of the loan receivable are set out the announcement of the Company dated 16 March 2011.

26. AMOUNT DUE FROM AN INVESTEE COMPANY

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

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Other receivables	**15,368**	16,831
Deposits paid	**4,225**	2,898
Consideration receivable for disposal of investment held (Note)	**10,700**	–
Prepayments	**920**	132
	31,213	19,861
Less: Impairment losses recognised	**(4,431)**	(4,477)
	26,782	15,384

Note:

The amount is unsecured, interest-free and repayable on the completion of the transactions. The amount of consideration receivable was fully settled on 12 April 2011.

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

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	**4,477**	5,736
Amounts written off as uncollectible	**(46)**	(1,220)
Disposal of subsidiaries	**–**	(39)
Balance at end of the year	**4,431**	4,477

Included in impairment losses of other receivables are individually impaired who were in financial difficulties with an aggregate balance of approximately HK$4,431,000 (2010: HK$4,477,000).

28. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
Convertible instruments designated as FVTPL	**2,106**	–

On 12 January 2011, Maincort Investments Limited, a wholly-owned subsidiary of the Company, acquired a one-year zero coupon convertible bond with a principal amount of HK$2,250,000 issued by Chater Capital Advisors Limited ("**Chater Capital**"), unlisted company in Hong Kong. The convertible bond can be converted into new ordinary shares of Chater Capital at any time within a period of one year following the date of issue to the fifth days before maturity at a conversion price of HK$1,500 per share.

The fair value of the convertible instrument was valued by Roma Appraisal Limited using the binomial option pricing model. The inputs into the model of a convertible bond as at 31 March 2011 are as follows:

	31 March 2011
Spot price	HK$0.078
Conversion price	HK$1,500.000
Risk free rate	0.274%
Dividend yield	0%
Expected option period	0.792 years
Expected volatility	83.01%

A fair value loss of approximately HK$144,000 was recorded for the year ended 31 March 2011 (2010: nil).

29. INVESTMENT DEPOSITS

	2011 HK$'000	2010 HK$'000
Deposit for formation of a joint venture (Note b)	–	5,000
Deposit paid for acquisition of an associate in the PRC engaged in brokerage services for dealing in financial and commodity futures (Note c)	**66,619**	66,619
	66,619	71,619
Less: Impairment losses	–	(5,000)
	66,619	66,619

29. INVESTMENT DEPOSITS (Continued)

Notes:

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

(b) A deposit of HK$10,000,000 was paid to a PRC party in May 2002 for the formation of a sino-foreign joint venture in the PRC in which the Group would own 49%. The joint venture was to be principally engaged in construction engineering consultancy and advisory services. The joint venture could not obtain the business license and half of the deposit amounting to HK$5,000,000 was refunded to the Group on 18 July 2005. As the amount has not yet been 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 and was written off during the year as the directors of the Company considered it is impossible to recover the deposit.

(c) 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 between 20% to 49% equity interest of New Era Futures Co., Ltd ("**New Era**") (新紀元期貨有限公司) at 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 RMB3,000,000 (equivalent to approximately HK$3,400,000) as deposit on 9 December 2008.

On 4 March 2009, Fortune Financial entered into second non-legally binding memorandum with Shenzhen Huade to increase its targeted acquisition percentage in New Era's equity interest 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 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.

On 31 December 2010, Fortune Financial entered into a supplementary agreement with Shenzhen Huade in which both parties agreed to extend the long stop date to 30 June 2011.

On 21 June 2011, Fortune Financial entered into an agreement ("**Termination Agreement**"), to terminate the acquisition of 49% equity interest in New Era. Further details are set out in Note 49.

30. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

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

31. 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mr. Hon Chun Yu	–	149	**3,549**	5,078
Mr. Yeung Kwok Leung	–	1,191	**2,629**	3,678
	–	1,340		

As at 31 March 2010, the amounts due from directors of the Company borne interest at prime rate plus 3.5% per annum and were repayable on demand.

The amounts were secured by pledged 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.

32. 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.

32. BANK BALANCES AND CASH/BANK OVERDRAFT (Continued)

Bank balances and cash – general

	2011 HK$'000	2010 HK$'000
Bank balances and cash – general	**44,747**	34,052
Add: Bank balances and cash – general classified as assets held for sale	**–**	10,743
Cash and cash equivalents	**44,747**	44,795

Bank balances and cash held by the Group amounting to approximately HK$44,747,000 (2010: HK$33,867,000) were with an original maturity of three months or less. The bank balances and bank deposits carried interest at market rates ranging from 0.01% to 0.05% (2010: 0.01% to 0.05%) per annum.

As at 31 March 2011, the Group had bank balances of approximately HK$409,000 (2010: HK$22,000) and HK$628,000 (2010: HK$725,000) which were originally denominated in USD and RMB respectively.

Bank overdrafts – secured

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

33. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2011 HK$'000	2010 HK$'000
Trade payables from the business of dealing in securities:		
– margin and cash clients	**70,530**	93,446
Trade payables from the business of dealing in future contracts	**62,826**	44,425
Other payables and accruals	**18,271**	8,230
	151,627	146,101

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.

34. OTHER BORROWINGS

	2011 HK$'000	2010 HK$'000
Unsecured other borrowings repayable within 1 year	**99,000**	172,800

All borrowings are denominated in HK$.

The exposure of borrowings to various interest rates changes is as follows:

	2011 HK$'000	2010 HK$'000
Fixed-rate borrowings	**99,000**	116,000
Variable-rate borrowings	**–**	56,800
	99,000	172,800

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 31/03/2011	Year ended 31/03/2010
Effective interest rate:		
Fixed-rate borrowings	**7% – 10%**	7% – 8.25%
Variable-rate borrowings (note)	**N/A**	7%

Note:

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

35. AMOUNTS DUE TO DIRECTORS

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

36. GUARANTEED EXCHANGEABLE NOTES

Pursuant to a subscription agreement entered into between Fortune Financial, a wholly-owned subsidiary of the Company, and an independent third party (the "**Subscriber**") on 30 July 2010, Fortune Financial issued, and the Subscriber subscribed for, notes (the "**Guaranteed Exchangeable Notes**") in an aggregate principal of US$10,000,000 (equivalent to HK$77,800,000). The Guaranteed Exchangeable Notes are denominated in US$. The Guaranteed Exchangeable Notes entitle the holder to exchange them into ordinary shares of China Eco-Farming Limited ("**China Eco-Farming**"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at an initial price of HK$0.62 per share, subject to adjustment in accordance with the terms and condition of the Guaranteed Exchangeable Notes, at any time between the date of issue of the Guaranteed Exchangeable Notes and the fifth day immediately before the maturity date on 29 July 2013. If the Guaranteed Exchangeable Notes have not been exchanged, they would be redeemed on 29 July 2013 at the nominal value with an internal rate of return of 6% per annum on a compound basis. The Guaranteed Exchangeable Notes are guaranteed by the Company. The Group entered into a stock and deposit arrangement with two individuals to put their holding of shares on China Eco-Farming in an escrow account in order to facilitate the exchange of the Guaranteed Exchangeable Notes.

Subscriber can request Fortune Financial to early redeem the Guaranteed Exchangeable Notes on (i) the last day of the twelve calendar month from the first issue date of 30 July 2010; (ii) the last day of the twenty fourth calendar month from the first issue date of 30 July 2010; (iii) at any time after China Eco-Farming announces that it shall no longer proceed and/or be capable of completing the transactions with respect to the mining projects.

As disclosed in the announcement of China Eco-Farming published on 13 December 2010, China Eco-Farming announced that it ceased to carry out the acquisition of a target company which is engaged in the provision of investment in the power industry; chemical industry; advanced and innovative technology industry; coal mining-related business; transportation of coal and wholesale, retail and maintenance of mining-related equipment. In the opinion of directors of the Company, the cessation of the sales and purchase agreements of acquisition of the target company triggered the early redemption event set out above. Thus, the Guaranteed Exchangeable Notes are classified as current liabilities in the consolidated statement of financial position of the Group.

The Guaranteed Exchangeable Notes have been designated at financial liabilities as FVTPL on initial recognition. The fair value of the Guaranteed Exchangeable Notes at the date of issue and 31 March 2011 was valued based on valuation performed by Roma Appraisal Limited, an independent valuer, determined using option pricing models.

36. GUARANTEED EXCHANGEABLE NOTES (Continued)

The significant inputs to the models were as follows:

	31 March 2011	30 July 2010
Spot price	**HK$0.141**	HK$0.345
Exchange price	**HK$0.620**	HK$0.620
Risk free rate	**0.847**	0.703
Expected option period	**2.321**	2.989
Expected volatility	**60.59%**	67.31%

The movement of the Guaranteed Exchangeable Notes is as follows:

	HK$'000
Issue of Guaranteed Exchangeable Notes during the year	77,800
Change in fair value	3,369
At 31 March 2011	81,169

37. PROVISION

	Provision for litigation HK$'000
At 31 March 2010, 1 April 2010 and 31 March 2011	940

Provision was made based on management's best estimates and judgments. The 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 and related additional legal cost. The directors considered that no additional provision is necessary in the consolidated financial statements taking into account the professional advice from the Company's legal counsel.

38. 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 2009	61
Reclassified as assets held for sale	(61)
At 31 March 2010 and 31 March 2011	–

At 31 March 2011, the Group had unused tax losses of approximately HK$123,433,000 (2010: HK$81,478,000) available for offset against future profits. Tax losses may be carried forward indefinitely.

Tax losses of HK$6,124,000 (2010: nil) attributable to certain subsidiaries in the PRC had an expiry period of five years. The remaining tax losses of approximately HK$117,309,000 (2010: HK$81,478,000) do not expire under current tax legislation.

At the end of the reporting period, the Group has deductible temporary differences of HK$16,587,000 (2010: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

39. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 1 April 2009, 31 March 2010 and 31 March 2011	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2009	756,070,000	75,607
Conversion of convertible loan notes (Note a)	639,000,000	63,900
Exercise of share options (Note 42)	5,600,000	560
At 31 March 2010 and 1 April 2010	1,400,670,000	140,067
Issue of shares (Note b)	780,534,000	78,053
Conversion of convertible loan notes (Note c)	328,819,000	32,882
Exercise of share options (Note 42)	2,000,000	200
At 31 March 2011	2,512,023,000	251,202

39. SHARE CAPITAL (Continued)

Notes:

(a) On 15 July 2009, 18 August 2009, the 2012 Convertible Loan Notes B note holders converted HK$1,000,000 and HK$21,000,000 into 10,000,000 and 210,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10 and HK$0.10 respectively.

On 12 November 2009, the 2012 Convertible Loan Notes F notes holders converted HK$67,040,000 into 419,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

(b) Pursuant to a conditional placing agreement dated 8 December 2010 between the Company and VC Brokerage Limited (the "**Placing Agent**"), the Placing Agent agreed to place 280,534,000 new shares on a fully underwritten basis, at the price of HK$0.328 per placing share. These new shares were issued under the general mandate granted at the annual general meeting of the Company held on 8 December 2010. All conditions of the placing agreement have been fulfilled and completion of the placing agreement took place on 31 January 2011. Details of the transaction were set out in the Company's announcement dated 31 January 2011.

On 6 December 2010, the Company entered into another subscription agreement with Mankind Investment Limited ("**Mankind Investment**"), an independent third party, and pursuant to which Mankind Investment has agreed to subscribe for new shares to be issued by the Company. Accordingly, 500,000,000 new shares at the subscription price of HK$0.20 per share were allotted and issued on 2 February 2011. The net proceeds from the subscription were used as general working capital of the Group.

(c) On 10 November 2010 and 11 November 2010, the 2012 Convertible Loan Notes B note holders converted HK$14,000,000 and HK$2,000,000 into 140,000,000 and 20,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10 and HK$0.10 respectively.

On 11 November 2010, the 2012 Convertible Loan Notes D notes holders converted HK$9,901,000 into 61,881,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 11 November 2010, the 2012 Convertible Loan Notes E note holders converted HK$7,350,000 into 45,938,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 1 February 2011, the 2012 Convertible Loan Notes F notes holders converted HK$9,760,000 into 61,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

All new shares issued during the years ended 31 March 2010 and 31 March 2011 ranked pari passu in all respects with other shares in issue.

40. CONVERTIBLE LOAN NOTES

On 19 February 2009, the Company issued convertible notes (the "**2012 Convertible Note B**") which was due on 19 February 2012 with an aggregate amount of HK$50,000,000. The convertible notes can convert up to an aggregate 500,000,000 ordinary shares of the Company at HK$0.10 each. The notes are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and the maturity date. The effective interest rate of the liability components is 30%. The 2012 Convertible Notes B of HK$22,000,000 was converted into 220,000,000 ordinary shares on 15 July 2009 and 18 August 2009 respectively. The 2012 Convertible Notes B of HK$14,000,000 and HK$2,000,000 was converted into 140,000,000 and 20,000,000 ordinary shares on 10 November 2010 and 11 November 2010 respectively. As at 31 March 2011, the 2012 Convertible Note B with an aggregate principal amount HK$12,000,000 remained outstanding (2010: HK$28,000,000) and it can be converted by the holders into 120,000,000 new ordinary shares of the Company (2010: 280,000,000 new ordinary shares) of HK$0.10 each at a conversion price of HK$0.10 per share.

On 30 June 2009, the Company issued convertible notes (the "**2012 Convertible Note C**") which was due on 30 June 2012 with an aggregate principal amount of HK$32,000,000. The convertible notes can convert up to an aggregate 200,000,000 ordinary shares of the Company at HK$0.16 each. The notes were denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and the maturity date. The effective interest rate of the liability component is 8.00%. As at 31 March 2011, the 2012 Convertible Note C with an aggregate principal amount HK$32,000,000 remained outstanding (2010: HK$32,000,000) and it can be converted by the holders into 200,000,000 new ordinary shares of the Company (2010: 200,000,000 new ordinary shares) of HK$0.10 each at a conversion price of HK$0.16 per share.

On 24 August 2009, the Company issued two convertible notes which were due on 24 August 2012 with an aggregate principal amount of HK$19,200,000 (the "**2012 Convertible Note D**") and HK$9,800,000 (the "**2012 Convertible Note E**") in respect of the acquisition of the additional 49% equity interest in ESL and Excalibur Futures Limited ("**EFL**") respectively. The 2012 Convertible Note D and 2012 Convertible Note E can convert up to an aggregate 120,000,000 and 61,250,000 ordinary shares of the Company respectively at HK$0.16 each. The notes were denominated in HK$.

The 2012 Convertible Note D entitles the holder to convert it into ordinary shares of the Company in the value of HK$8,420,000 at any time between the date of issue of the notes and the maturity date. In the event of the profit guarantee on ESL's profit 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's profit 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 in the value of HK$5,880,000 ("**2010 Conversion Right D**").

40. CONVERTIBLE LOAN NOTES (Continued)

The 2012 Convertible Note E entitles the holder to convert it into ordinary shares of the Company 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 of the profit guarantee on EFL's profit 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 of the profit guarantee on ESL's profit 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 of 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 to 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$6,978,000, 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 (49% of the actual 2009 ESL Shortfall amount) accordingly.

In the event of 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 to 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 was 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 Note D and 2012 Convertible Note E are both 8.00%. The 2012 Convertible Notes D of HK$9,901,000 was converted into 61,882,000 ordinary shares on 11 November 2010. As at 31 March 2011, the 2012 Convertible Note D with an aggregate principal amount HK$5,880,000 remained outstanding (2010: HK$15,781,000) and it can be converted by the holders into 36,750,000 new ordinary shares of the Company (2010: 98,632,000 new ordinary shares)of HK$0.10 each at a conversion price of HK$0.16 per share. The 2012 Convertible Notes E of HK$7,350,000 was converted into 45,938,000 ordinary shares on 11 November 2010. As at 31 March 2011, the 2012 Convertible Note E with an aggregate principal amount HK$2,450,000 remained outstanding (2010: HK$9,800,000) and it can be converted by the holders into 15,313,000 new ordinary shares of the Company (2010: 61,250,000 new ordinary shares) of HK$0.10 each at a conversion price of HK$0.16 per share.

40. CONVERTIBLE LOAN NOTES (Continued)

On 7 September 2009, the Company issued a convertible notes (the "**2012 Convertible Note F**") which was due on 31 December 2012 with an aggregate principal amount of HK$128,000,000. The convertible notes can convert up to an aggregate 800,000,000 ordinary shares of the Company at HK$0.16 each. The notes were denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes 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 in a maximum principal sum of HK$128,000,000 convertible into maximum of 800,000,000 ordinary shares at HK$0.16 each ("**Further Subscription Option**"). The effective interest rate of the liability component is 15.00%. The 2012 Convertible Note F of HK$67,040,000 was converted into 419,000,000 ordinary shares on 12 November 2009. The 2012 Convertible Notes F of HK$9,760,000 was converted into 61,000,000 ordinary shares on 1 February 2011. As at 31 March 2011, the 2012 Convertible Note F with an aggregate principal amount HK$51,200,000 remained outstanding (2010: HK$60,960,000) and it can be converted by the holders into 320,000,000 new ordinary shares of the Company (2010: 381,000,000 new ordinary shares) of HK$0.10 each at a conversion price of HK$0.16 per share.

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, shall be interested in 30% (or such amount as may 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 provisions under this condition.

40. CONVERTIBLE LOAN NOTES (Continued)

Except for 2012 Convertible Note F, each of the convertible notes above is bifurcated into a liability component and an equity component. 2012 Convertible Note 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 loan notes for the year is set out below:

	2012 Convertible Note B HK$'000	2012 Convertible Note C HK$'000	2012 Convertible Note D HK$'000	2012 Convertible Note E HK$'000	2012 Convertible Note F HK$'000	Total HK$'000
Liability components						
At 1 April 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 and share premium upon conversion to ordinary shares	(11,295)	–	–	–	(43,308)	(54,603)
Imputed interest expenses (Note 11)	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
Transfer to share capital and share premium upon conversion to ordinary shares	(11,434)	–	(8,637)	(6,411)	(7,490)	(33,972)
Imputed interest expenses (Note 11)	4,010	2,160	793	460	6,086	13,509
At 31 March 2011	9,488	29,089	5,284	2,202	40,168	86,231

40. CONVERTIBLE LOAN NOTES (Continued)

	2012 Convertible Note B HK$'000	2012 Convertible Note C HK$'000	2012 Convertible Note D HK$'000	2012 Convertible Note E HK$'000	2012 Convertible Note F HK$'000	Total HK$'000
Equity components						
At 1 April 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 and share premium 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	28,086
Transfer to share capital and share premium upon conversion to ordinary shares	(8,466)	–	(2,041)	(1,515)	(224)	(12,246)
At 31 March 2011	6,350	6,597	1,214	505	1,174	15,840
As at 31 March 2011						
Analysed for reporting purposes as						
Non-current liability	–	29,089	5,284	2,202	40,168	76,743
Current liability	9,488	–	–	–	–	9,488
	9,488	29,089	5,284	2,202	40,168	86,231
As at 31 March 2010						
Analysed for reporting purposes as						
Non-current liability	16,912	26,929	13,128	8,153	41,572	106,694

40. CONVERTIBLE LOAN NOTES (Continued)

	2012 Convertible Note F HK$'000
Derivative components	
At 1 April 2009	–
Issue of convertible notes during the year	44,559
Change in fair value	18,525
At 31 March 2010 and 1 April 2010	63,084
Change in fair value	(19,758)
At date of extension	43,326
Change in fair value	16,895
At 31 March 2011	60,221

The fair value of the derivative component, representing the Further Subscription Option entitled to the holder of 2012 Convertible Note F, was estimated at the issuance and the end of each reporting period using an option pricing model and the change in fair value of that component is recognised in the profit or loss.

The derivative component of 2012 Convertible Note F was revalued at 31 March 2011, at the date of extension of option life on 6 September 2010, 31 March 2010 and at the date of issue on 7 September 2009 based on valuations by Roma Appraisal Limited, an independent valuer, determined using option pricing models.

On 6 September 2010, the Company entered into an agreement with the note holder to extend the option life from 12 months to 24 months. The incremental value arising from the aforementioned extension was approximately HK$19,758,000, which represented the difference between the fair value of the extended options and the carrying amount of the existing option. The significant inputs to the models were as follows:

	31 March 2011	**6 September 2010**	**31 March 2010**	**7 September 2009**
Spot price	HK$0.350	HK$0.410	HK$0.475	HK$0.433
Risk free rate	0.242%	0.289%	0.158%	0.241%
Expected option period	0.436 year	1 year	0.436 year	1 year
Expected volatility	6.22%	11.80%	3.23%	2.99%

41. SHARE WARRANTS

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

The registered holders of the warrants have not exercised the warrants for the year ended 31 March 2011 and 2010.

42. 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.

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.

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

At 31 March 2010, 2,000,000 (2011: nil) options had been granted and remained outstanding under the Option Scheme of the Company, representing approximately 0.41% of the shares of the Company in issue at that date (2011: nil).

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 2009	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2010 and 1 April 2010	Exercised during the year	Outstanding at 31 March 2011	Exercise price
2006A	2 August 2005	11,400,000	(5,600,000)	(3,800,000)	2,000,000	(2,000,000)	–	HK$0.3520

Note:

At 31 March 2011 and 2010, no share options were held by the directors.

In respect of the share option exercised during the year, the weighted average share price at the dates of exercise is HK$0.352 (2010: HK$0.48) and the weighted average closing price of shares immediately before the date on which options were exercised is HK$0.50 (2010: HK$0.48).

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
2006A	2 August 2005	2 August 2005 to 1 August 2010	HK$0.3520	HK$0.340

43. ACQUISITION OF SUBSIDIARIES

(a) On 9 September 2010, the Group acquired the entire interests in Treasure Palladium Asset Management Limited from an independent third party, which holds a license right under Securities and Futures Commission for a cash consideration of HK$2,600,000. The acquisition had been accounted for as an acquisition of assets and liabilities. The effect of the acquisition is summarised as follows:

	HK$'000
Net assets acquired of:	
Plant and equipment	14
License rights	2,261
Other receivables	380
Bank balances and cash – general	14
Other payables	(69)
	2,600
Satisfied by:	
Cash	2,600
Analysis of net outflow of cash and cash equivalents arising on acquisition of assets through a subsidiary:	
Bank balances and cash – general acquired	14
Cash paid	(2,600)
	(2,586)

(b) Pursuant to the two sale and purchase agreements entered into by the Group on 6 March 2009, the Group agreed to acquire additional 49% equity interests in ESL and EFL from Pioneer China, a non-controlling interest 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.

44. DISPOSAL OF SUBSIDIARIES

(a) On 20 January 2011, the Group disposed of its 100% interests in ESL at a consideration of HK$18,778,000 to a connected party, in cash.

The net assets of the subsidiaries disposed of at the date of disposal and the gain on disposal of the subsidiary as at 19 January 2011 were as follows:

	HK$'000
Net assets disposed of:	
Intangible assets	500
Other non-current assets	430
Deferred tax assets	61
Trade receivables	14,425
Other receivables, deposits and prepayments	635
Bank balances and cash – trust	16,627
Bank balances and cash – general	9,907
Trade payable, other payables and accruals	(28,661)
Tax payable	(146)
	13,778
Gain on disposal of subsidiaries	5,000
Cash consideration received	18,778
Satisfied by:	
Cash	18,778
Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Cash consideration	18,778
Bank balances and cash – general disposed of	(9,907)
	8,871

The disposed subsidiary contributed approximately cash inflow of approximately HK$18,164,000 in respect of operating activities for the year ended 31 March 2011.

44. DISPOSAL OF SUBSIDIARIES (Continued)

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

The net liabilities of the subsidiaries disposed of at the date of disposal and the gain of disposal based on the audited financial information of the 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 accrued charges	(6,085)
Tax payable	(257)
	(6,224)
Gain on disposal of subsidiaries (Note 16)	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 prior periods is disclosed in note 16.

45. RELATED PARTY TRANSACTIONS

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

	2011 HK$'000	2010 HK$'000
Brokerage commission received from directors	**61**	52
Interest received/receivables from directors	**290**	101
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) Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2011 HK$'000	2010 HK$'000
Short-term benefits	**3,719**	3,292
Post-employment benefits	**24**	24
	3,743	3,316

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

46. RETIREMENT BENEFIT SCHEME

The Group operates a defined 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.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiaries of the Group in this country participate in respective government retirement benefit scheme (the "**Scheme**") whereby the subsidiaries are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirement in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contribution under the Schemes.

The total cost charged to the consolidated income statement of approximately HK$1,425,000 (2010: HK$869,000) represents contributions payable to the schemes by the Group in respect of the year ended 31 March 2011.

47. COMMITMENTS

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

(a) Capital commitments

	2011	2010
	HK$'000	HK$'000
Contracted but not provided for		
– acquisition of plant and equipment	**1,000**	–

(b) Operating lease commitments

The Group as lessee

The Group leases certain of its offices premises under operating lease arrangements. Lease for properties are negotiated for a term ranging from 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.

47. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

The Group as lessee *(Continued)*

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:

	2011 HK$'000	2010 HK$'000
Within one year	**11,190**	5,006
In the second to fifth years, inclusive	**15,521**	467
	26,711	5,473

48. 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 2011	2010	Principal activities
Fortune (HK) Securities Limited	Hong Kong	HK$155,000,000	100%	100%	Provision of securities brokerage and financing services
Excalibur Securities Limited	Hong Kong	HK$20,000,000	0% (Note (c))	100%	Provision of securities brokerage and financing services
Excalibur Futures Limited	Hong Kong	HK$240,000,000	100%	100%	Provision of futures brokerage services
Fortune Asset Management Limited	Hong Kong	HK$4,200,000	100%	N/A	Provision of asset management services
Fortune Financial (Holdings) Limited	The British Virgin Islands	US$1	100%	100%	Investment holding
Fortune Media Advisory Limited	Hong Kong	HK$1	100%	100%	Provision for media advisory service
Fortune Wealth Management Limited	Hong Kong	HK$3,000,000	75%	75%	Provision for insurance brokerage service
Fortune Immigration & Education Consulting Limited	Hong Kong	HK$100,000	100%	100%	Provision for immigration & education consulting service

48. PRINCIPAL SUBSIDIARIES (Continued)

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
			2011	2010	
General Win International Limited	Hong Kong	HK$2	100%	100%	Trading and investment
King Dynasty Group Limited	The British Virgin Islands	US$1	100%	100%	Investment holding
Maincort Investment Limited	The British Virgin Islands	US$1	100%	100%	Investment holding

(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 2011 and 2010.

(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.

(c) On 20 January 2011, the Group disposed of its 100% interests in ESL. Details refer to Note 44(a).

49. EVENT AFTER THE REPORTING PERIOD

(a) On 7 April 2011, the convertible loan note holder converted the 2012 Convertible Note F with an aggregate nominal value of HK$51,200,000 into 320,000,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.16 per share. On 4 May 2011, the convertible loan note holder converted the 2012 Convertible Note B with an aggregate nominal value of HK$4,000,000 into 40,000,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.1 each. On 9 May 2011, the convertible loan note holder converted the 2012 Convertible Note E with an aggregate nominal value of HK$2,450,000 into 15,313,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.16 each. On 20 May 2011, the convertible loan note holder converted the 2012 Convertible Note D with an aggregate nominal value of HK$5,880,000 into 36,750,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.16 each.

49. EVENT AFTER THE REPORTING PERIOD (Continued)

(b) On 13 May 2011, the Company proposes to change the name of the Company from "China Fortune Group Limited 中國富強集團有限公司" to "China Fortune Financial Group Limited 中國富強金融集團有限公司". The proposed change of the Company's name is subject to the passing of a special resolution by the shareholders of the Company at the extraordinary general meeting of the Company and the approval by the Register of Companies in Cayman Islands, and is not effective at date of this report.

(c) As explained in the Company's announcement on 26 June 2011, the Group agreed to terminate the acquisition of 49% equity interest on New Era on the condition of the repayment of investment deposit amounted to RMB58,830,000 (equivalent to approximately HK$70,056,000) and the related accrued interest of RMB8,500,000 (equivalent to approximately HK$10,122,000) by Shenzhen Huade. Shenzhen Huade will refund the investment deposits by 3 installments, RMB5,000,000 (equivalent to approximately HK$5,954,000) upon signing of the Termination Agreement, RMB5,000,000 (equivalent to approximately HK$5,954,000) upon approval by China Securities Regulatory Commission, Future Supervision and Management Institutions of State Council, and all other relevant governmental or regulatory and other authorities, agencies and departments in connection with the transactions contemplated under the sales and purchase agreement entered into by Shenzhen Huade and the subsequent acquirer of 49% equity interest of New Era ("**Acquirer**") and the remaining balance of RMB48,830,000 (equivalent to approximately HK$58,148,000) and the related accrued interest of RMB8,500,000 (equivalent to approximately HK$10,122,000) upon completion of obtaining the updated operating license of New Era. As set out in the Termination Agreement, Shenzhen Huade will pay to the Group within 5 business days upon receipt of the relevant proceed from Acquirer. In the event that interests in New Era are not transferred to the Acquirer on or before 31 December 2011, Shenzhen Huade will pay investment deposit together with the accrued interest to the Group within 5 business days after 31 December 2011. Details are set out in the announcement of the Company on 26 June 2011.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011	2010
	HK$'000	HK$'000
Non-current assets		
Plant and equipment	**2,500**	199
Investments in subsidiaries	**–**	–
	2,500	199
Current assets		
Investments held for trading	**–**	1,170
Other receivables, deposits and prepayments	**224**	318
Amount due from an investee company	**5,004**	–
Amounts due from subsidiaries (Note (i))	**367,494**	178,732
Bank balances and cash – general	**10,728**	4,488
	383,450	184,708
Current liabilities		
Trade payables, other payables and accruals	**1,835**	1,448
Derivative component of convertible loan notes	**60,221**	63,084
Convertible loan notes	**9,488**	–
Amounts due to subsidiaries (Note (i))	**4,669**	4,680
Tax payable	**49**	49
	76,262	69,261
Net current assets	**307,188**	115,447
Total assets less current liabilities	**309,688**	115,646

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2011 HK$'000	2010 HK$'000
Capital and reserves		
Share capital	**251,202**	140,067
Share premium	**377,550**	250,520
Share options reserve	**–**	615
Share warrants reserve	**552**	552
Convertible loan notes equity reserve	**15,840**	28,086
Contributed surplus (Note (ii))	**80,657**	80,657
Accumulated losses	**(492,856)**	(491,545)
Total equity	**232,945**	8,952
Non-current liability		
Convertible loan notes	**76,743**	106,694
	309,688	115,646

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 reorganisation of the Group.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**110,666**	80,488	10,676	12,355	6,504
(Loss) Profit before taxation	**(63,656)**	(23,664)	15,916	(5,827)	(12,438)
Taxation	**(1,859)**	(4,491)	(115)	–	(792)
(Loss) Profit for the year from continuing operations	**(65,515)**	(28,155)	15,801	(5,827)	(13,230)
Profit (Loss) for the year from discountinued operations	**–**	6,732	(88)	–	–
Other comprehensive income	**9**	–	–	–	–
(Loss) Profit before non-controlling interests	**(65,506)**	(21,423)	15,713	(5,827)	(13,230)
Non-controlling interests	**145**	(2,288)	511	–	–
(Loss) Profit for the year attributable to equity holders of the Company	**(65,361)**	(23,711)	16,224	(5,827)	(13,230)
(Loss) Earnings per share (HK cents)					
Basic	**(3.5)**	(2.2)	3.2	(1.3)	(2.9)
Diluted	**(3.5)**	(2.2)	3.2	N/A	N/A

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**794,622**	685,112	242,706	79,820	63,151
Total liabilities	**(481,869)**	(532,282)	(108,005)	(58,784)	(36,288)
	312,753	152,830	134,701	21,036	26,863
Non-controlling interests	**(145)**	(165)	(29,781)	–	–
	312,608	152,665	104,920	21,036	26,863