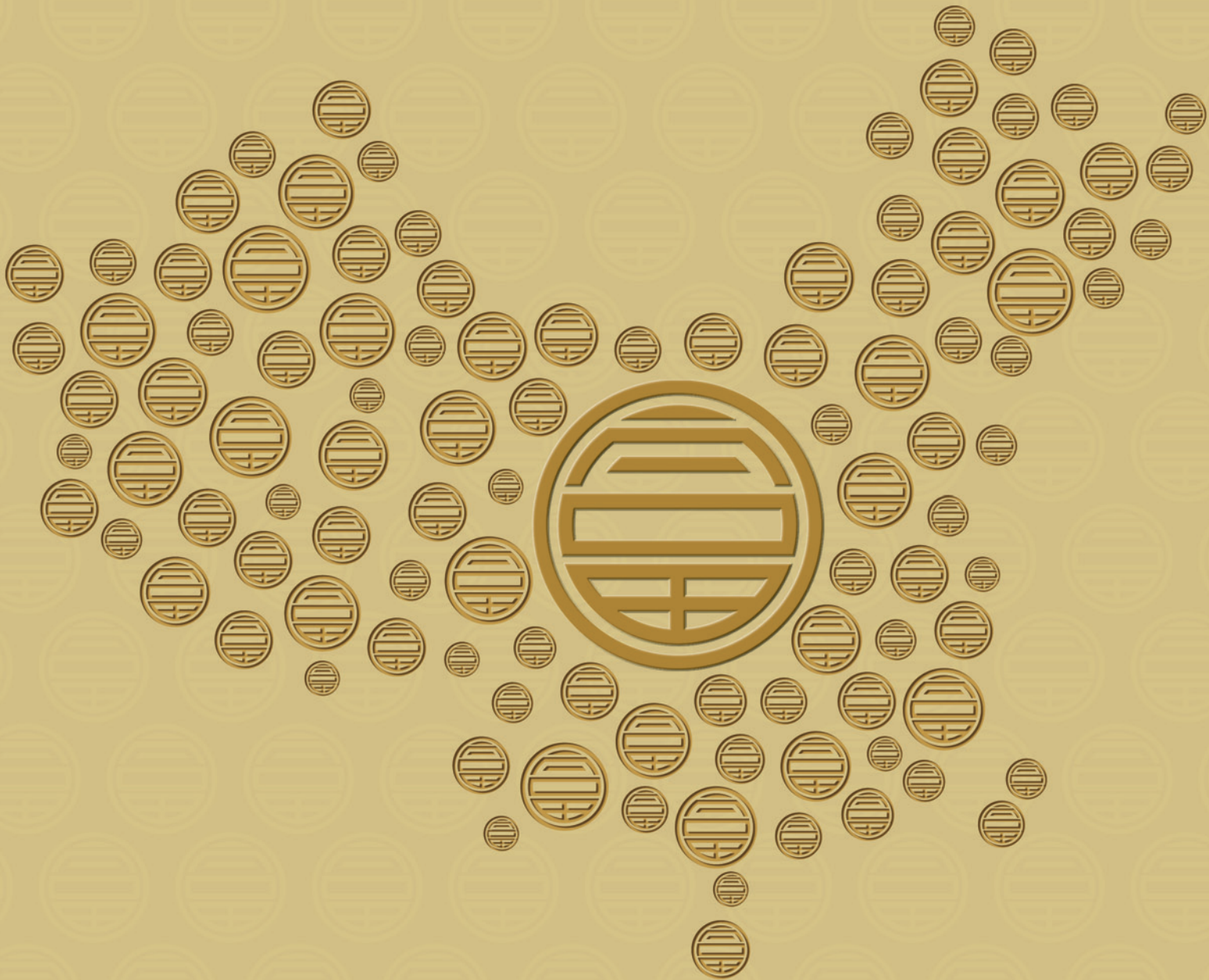




中國富強金融集團
CHINA FORTUNE
FINANCIAL GROUP

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



Interim Report 2011

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, Umland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

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Fax: (852) 3105 1862

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Hong Kong Law
Li & Partners

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

Interim Results

The board (the "Board") of directors (the "Directors") of China Fortune Financial Group Limited (formerly known as China Fortune Group Limited) (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011 together with the comparative figures for the corresponding period in 2010 as follows :

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Continuing operations			
Turnover	3	12,316	37,377
Cost of securities brokerage and margin financing		(2,364)	(5,192)
Other revenue	5	9,336	4,243
Depreciation and amortisation		(644)	(398)
Salaries and allowance		(17,296)	(10,442)
Change in fair value of derivative component of convertible loan notes		50,443	13,344
Change in fair value of guaranteed exchangeable note		3,369	—
(Loss) Gain on disposal of subsidiaries	17	(924)	702
Impairment loss	6	—	(2,261)
Other operating and administrative expenses		(26,045)	(15,273)
Finance costs	7	(8,025)	(11,935)
Profit before taxation	8	20,166	10,165
Taxation	9	(1,425)	(1,518)
Profit for the period from continuing operations		18,741	8,647
Discontinued operation			
Loss for the period from discontinued operation	11	(5,676)	(10,145)
		13,065	(1,498)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		19	—
Total comprehensive income (expenses) for the period		13,084	(1,498)

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Profit (Loss) for the period attributable to:			
Shareholders of the Company		13,280	(1,447)
Non-controlling interests		(215)	(51)
		13,065	(1,498)
Total comprehensive income (expenses) for the period attributable to:			
Shareholders of the Company		13,299	(1,447)
Non-controlling interests		(215)	(51)
		13,084	(1,498)
Earnings (Loss) per share	12	HK cents	HK cents
From continuing and discontinued operations			
Basic		0.45	(0.10)
Diluted		0.45	(0.10)
From continuing operations			
Basic		0.64	0.62
Diluted		0.64	0.62

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 September 2011 HK\$'000 (Unaudited)	As at 31 March 2011 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	13	14,356	9,258
Intangible assets		2,261	2,741
Other non-current assets		6,885	2,632
Available-for-sale financial assets		1,948	1,948
		25,450	16,579
Current assets			
Investments held for trading		10,199	37,079
Trade receivables	14	283,560	331,887
Loan receivables		22,493	150,542
Amount due from an investee company		5,010	5,004
Other receivables, deposits and prepayments		10,905	26,782
Convertible instruments designated as financial assets at fair value through profit or loss		2,106	2,106
Investment deposits		60,629	66,619
Amount due from a non-controlling shareholder of a subsidiary		750	625
Bank balances and cash — trust		32,495	112,652
Bank balances and cash — general		130,857	44,747
		559,004	778,043
Assets classified as held for sale	11	78,464	—
		637,468	778,043

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 September 2011 HK\$'000 (Unaudited)	As at 31 March 2011 HK\$'000 (Audited)
Current liabilities			
Trade payables, other payables and accruals	15	38,416	151,627
Other borrowings		83,000	99,000
Derivative component of convertible loan notes		9,778	60,221
Guaranteed Exchangeable Note		—	81,169
Convertible loan notes — current		37,508	9,488
Provisions		—	940
Tax payable		3,233	2,681
		171,935	405,126
Liabilities associated with assets held for sale	11	64,922	—
		236,857	405,126
Net current assets		400,611	372,917
Total assets less current liabilities		426,061	389,496
Capital and reserves			
Share capital	16	307,409	251,202
Reserves		118,597	61,406
Equity attributable to shareholders of the Company		426,006	312,608
Non-controlling interests		55	145
Total equity		426,061	312,753
Non-current liability			
Convertible loan notes — Non-current		—	76,743
		426,061	389,496

Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Group										Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Share warrants reserve	Translation reserve	Convertible loan notes equity reserve	Special reserve	Capital reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2011	251,202	377,550	—	552	9	15,840	13,524	1,863	(347,932)	312,608	145	312,753
Other comprehensive income for the period	—	—	—	—	19	—	—	—	—	19	—	19
Profit (Loss) for the period	—	—	—	—	—	—	—	—	13,280	13,280	(215)	13,065
Total comprehensive income (expenses) for the period	—	—	—	—	19	—	—	—	13,280	13,299	(215)	13,084
Capital contribution from a non-controlling interest shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	125	125
Issue of new shares	15,000	34,500	—	—	—	—	—	—	—	49,500	—	49,500
Transaction costs attributable to issue of new shares	—	(491)	—	—	—	—	—	—	—	(491)	—	(491)
Conversion of convertible loan notes	41,207	14,889	—	—	—	(5,006)	—	—	—	51,090	—	51,090
At 30 September 2011	307,409	426,448	—	552	28	10,834	13,524	1,863	(334,652)	426,006	55	426,061
At 1 April 2010	140,067	250,520	615	552	—	28,086	13,524	1,863	(282,562)	152,665	165	152,830
Profit (Loss) for the period	—	—	—	—	—	—	—	—	(1,447)	(1,447)	(51)	(1,498)
Issue of shares upon exercise of share options	200	504	(615)	—	—	—	—	—	—	89	—	89
	140,267	251,024	—	552	—	28,086	13,524	1,863	(284,009)	151,307	114	151,421

Consolidated Statement of Cash Flow

	Notes	Six months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
NET CASH FROM OPERATING ACTIVITIES		10,915	117,446
NET CASH FROM (USED IN) INVESTING ACTIVITIES		133,474	(7,328)
NET CASH USED IN FINANCING ACTIVITIES		(50,455)	(98,855)
NET INCREASE IN CASH AND CASH EQUIVALENTS		93,934	11,263
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		44,747	44,771
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		138,681	56,034
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by			
Bank balance and cash — general		130,857	47,960
Bank balance and cash — general classified as assets held for sale	11	7,824	8,074
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		138,681	56,034

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

1. BASIS OF PREPARATION

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes.

The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the date of the 2011 annual report of the Company. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the Company’s audit committee (the “Audit Committee”) and should be read in conjunction with the annual financial statement of the year ended 31 March 2011.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRS (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adoption ¹
HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

HKFRS 10 “Consolidated Financial Statements” replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. At the date of this report, the Directors are in the process of assessing the potential financial impact.

The Directors anticipate that the application of other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

3. TURNOVER

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

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Continuing operations		
Consultancy and subscription service income	1,552	716
Income from securities brokerage business	11,343	21,241
Income from insurance brokerage business	198	757
Margin interest income from securities and futures brokerage business	17,525	14,663
Net loss on trading of listed securities	(18,302)	—
	12,316	37,377

4. SEGMENT INFORMATION

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

- 1) The broking and margin financing segment engages in securities 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.

Other operation includes consultancy service income only. None of these segments meets any of the quantitative threshold for determining reportable segments in 2011.

Segment information about these businesses is presented below.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the six months ended 30 September 2011

Continuing operations

	Securities 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	28,868	(18,279)	1,727	—	12,316
Inter-segment revenue (note)	—	—	1,778	(1,778)	—
	28,868	(18,279)	3,505	(1,778)	12,316
Segment profit (loss)	16,949	(18,279)	(631)	—	(1,961)
Unallocated operating income					7,983
Unallocated operating expense					(30,719)
Change in fair value of derivative component of convertible loan notes					50,443
Change in fair value of guaranteed exchangeable note					3,369
Loss on disposal of subsidiaries					(924)
Finance costs					(8,025)
Profit before taxation					20,166

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 for the purposes of resource allocation and performance assessment.

No segment information is presented for the period ended 30 September 2010 as the Group only operates 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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 30 September 2011

Continuing operations

	At 30 September 2011 HK\$'000
Segment assets	
Broking and margin financing	340,190
Trading and investment	55,471
Others	4,541
Total segment assets	400,202
Unallocated	262,716
Consolidated total assets	662,918
Segment liabilities	
Broking and margin financing	155,145
Trading and investment	—
Others	4,902
Total segment liabilities	160,047
Unallocated	76,810
Consolidated total liabilities	236,857

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 as 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 note, provisions and tax payable.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the year ended 30 September 2011

Amount included in the measure of segment profit or loss or segment assets:

	Securities broking and margin financing	Trading and investment	Others	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Addition to non-current assets	4,193	1,560	—	3,398	9,151
Depreciation and amortisation	—	—	34	610	644

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

Interest income	8	—	—	4,689	4,697
Change in fair value of exchangeable note	—	—	—	3,369	3,369
Change in fair value of derivative component of convertible loan notes	—	—	—	50,443	50,443
Loss on disposal of subsidiaries	—	—	—	(924)	(924)
Finance costs	1,357	—	—	6,668	8,025

For both period ended 30 September 2011 and 2010, the Group did not have any customer contributed more than 10% of the Group's aggregate revenue.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

5. OTHER REVENUE

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Continuing operations		
Handling income	138	107
Interest income from loan receivables	4,340	—
Interest income on financial institutions	357	1
Management fee income	—	2,070
Net exchange gain	509	237
Sub-letting income from rental premises	—	1,606
Sundry income	3,992	222
	9,336	4,243

6. IMPAIRMENT LOSS

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Continuing operations		
Impairment loss on intangible assets	—	2,261

7. FINANCE COSTS

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Continuing operations		
Interest on bank overdrafts	—	26
Interest on other borrowings	5,665	4,523
Imputed interest expenses on convertible loan notes	2,360	7,386
	8,025	11,935

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

8. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Continuing operations		
Profit before taxation has been arrived at after charging:		
Depreciation		
— owned assets	644	398
Total staff costs (including directors' remuneration)	17,296	10,442

9. TAXATION

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Continuing operations		
Current taxation		
Hong Kong profits tax		
— Provision for the six months ended	1,425	1,518

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2011 and 2010.

10. DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2011 (2010: Nil).

11. DISCONTINUED OPERATION/ASSETS CLASSIFIED AS HELD FOR SALE

On 29 July 2011, Fortune Financial (Holdings) Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with New Century Excalibur Holdings Limited ("New Century"), an independent third party to the Group, whereby subject to certain conditions, the Group has agreed to sell and New Century has agreed to buy the entire interests in Excalibur Futures Limited ("EFL") and its subsidiaries ("EFL Group") for a consideration of HK\$15,880,000.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

11. DISCONTINUED OPERATION/ASSETS CLASSIFIED AS HELD FOR SALE

(Continued)

The disposal was approved by the shareholders of the Company in the extraordinary general meeting held on 9 September 2011. The EFL Group was engaged in the provision of futures brokerage business. Following the disposal, the futures brokerage business was regarded as discontinued operation accordingly.

The result of discontinued operation for the period is as follows:

	Futures broking HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2011				
Revenue				
External revenue	10,589	24	—	10,613
Inter-segment revenue	—	—	—	—
	10,589	24	—	10,613
Segment profit	(1,120)	24	—	(1,096)
Unallocated operating income				185
Unallocated operating expense				(4,765)
Loss before tax				(5,676)
Taxation				—
Loss for the period				(5,676)
Loss for period from discontinued operation include the following:				
Depreciation of plant and equipment	153	141	—	294
Staff costs	2,722	1,076	—	3,798

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

11. DISCONTINUED OPERATION/ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

	Futures broking HK\$'000	Others HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2010				
Revenue				
External revenue	20,328	93	—	20,421
Inter-segment revenue	—	—	—	—
	20,328	93	—	20,421
Segment profit	9,075	93	—	9,168
Unallocated operating income				—
Unallocated operating expense				(18,818)
Loss before tax				(9,650)
Taxation				(495)
Loss for the period				(10,145)
Loss for period from discontinued operation include the following:				
Amortisation of trading right	—	2,000	—	2,000
Depreciation of plant and equipment	360	30	—	390
Staff costs	2,717	3,592	—	6,309

Pursuant to which the assets and liabilities attributable to EFL Group have then been classified as held for sale and are presented separately in the unaudited condensed consolidated statement of financial position with further details set out as follows.

	As at 30 September 2011 HK\$'000 (Unaudited)
Plant and equipment	2,636
Intangible assets	480
Other non-current assets	1,500
Trade receivables	14,035
Other receivables, deposit and prepayments	2,407
Bank balances and cash — trust	49,582
Bank balances and cash — general	7,824
Total assets reclassified as held for sale	78,464
Trade payables, other payables and accruals	64,922
Total liabilities associated with assets reclassified as held for sale	64,922

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

12. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Gain (Loss) for the purpose of both basic and diluted earnings (loss) per share	13,280	(1,447)

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

	Six months ended 30 September	
	2011 '000 (Unaudited)	2010 '000 (Unaudited) (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,957,144	1,402,440

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the shareholders of the Company for the period is based on the following data:

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Gain (Loss) for the purpose of both basic and diluted earnings (loss) per share	13,280	(1,447)
Add: loss for the period from discontinued operation	5,676	10,145
Gain for the period for the purpose of basic earnings per share from continuing operations	18,956	8,698

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

12. EARNINGS (LOSS) PER SHARE (Continued)

From discontinued operation

Basic loss per share for the discontinued operation was HK0.19 cents per share (2010 restated: loss of HK0.72 cents), based on the loss for the period from the discontinued operation attributable to the shareholders of the Company of approximately HK\$5,676,000 (2010 restated: loss of HK\$10,145,000) and the denominators detailed above for basic loss per share.

The calculation of diluted earnings (loss) per share for the six month ended 30 September 2011 and 2010 does not assume the exercise of the Company's share options as exercise price of the options was higher than the average market price for shares.

The calculation of earnings (loss) per share for the six month ended 30 September 2011 and 2010 does not assume the conversion of the convertible loan notes since their conversion would result in an increase in earnings per share (2010 restated: decrease in loss per share).

The calculation of earnings (loss) per share for the six month ended 30 September 2011 and 2010 does not assume the exercise of the Company's warrants since their exercise would result in an increase in earnings per share (2010 restated: decrease in loss per share).

13. PLANT AND EQUIPMENT

During the period, the Group incurred HK\$7,701,000 for leasehold improvement and HK\$1,450,000 for furniture and fixtures (as at 31 March 2011, totalled HK\$3,494,000).

14. TRADE RECEIVABLES

The following is the balance of trade receivables, net of impairment loss:

	As at 30 September 2011 HK\$'000 (Unaudited)	As at 31 March 2011 HK\$'000 (Audited)
Trade receivables from the business of dealing in securities		
— clearing house and cash clients	14,105	14,643
— margin clients	277,729	301,469
Trade receivables from the business of dealing in futures		
— clearing house and cash clients	—	32,138
Trade receivables from other business	1,748	132
	293,582	348,382
Less: Impairment loss recognised	(10,022)	(16,495)
	283,560	331,887

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For the six months ended 30 September 2011

14. TRADE RECEIVABLES (Continued)

The settlement terms of trade receivables arising from the business of dealing in securities are two days after trade date. The Group does not hold any collateral over these balances.

No aging 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 aging analysis does not give additional value in view of the nature of margin financing.

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

	As at 30 September 2011 HK\$'000 (Unaudited)	As at 31 March 2011 HK\$'000 (Audited)
Less than 30 days	4,868	28,595
31 to 60 days	874	1,499
61 to 90 days	1,778	715
Over 90 days	8,333	9,581
Trade receivables from other business	15,853	40,390

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.

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30 September 2011 HK\$'000 (Unaudited)	As at 31 March 2011 HK\$'000 (Audited)
Trade payables from the business dealing in securities — margin and cash clients	33,036	70,530
Trade payables from the business dealing in future contracts	—	62,826
Other payables and accruals	5,380	18,271
	38,416	151,627

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

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For the six months ended 30 September 2011

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 31 March 2011 and 30 September 2011	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 April 2011	2,512,023,168	251,202
Issue of shares	150,000,000	15,000
Conversion of convertible loan notes	412,062,500	41,207
	3,074,085,668	307,409

17. DISPOSAL OF SUBSIDIARIES

On 29 August 2011, the Group disposed of its 100% interests in General Win International Limited and Money Holder Limited to an independent third party.

The net assets of the subsidiaries disposed of at the date of disposal and the loss on disposal of subsidiaries as at 28 August 2011 were as follows:

	HK\$'000
Net assets disposed of:	
Plant and equipment	773
Other receivable, deposit and prepayment	1,172
Bank balances and cash — general	347
Accounts payable, other payables and accruals	(428)
Provisions	(940)
	924
Loss on disposal of subsidiaries	(924)
Cash consideration received	—
Satisfied by:	
Cash	—
Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Cash consideration	—
Bank balances and cash — general disposed of	(347)
	(347)

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

18. RELATED PARTIES TRANSACTIONS

Except as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the significant related party transactions, which were carried out in the normal course of the Group's business are as follow:

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (restated)
Brokerage commission received from Directors	20	18
Interest receivable received from Directors	108	57
Loan raised during the period from a shareholder	—	25,000
Interest paid to a shareholder	—	501

19. COMMITMENTS

(a) Capital commitments

	As at 30 September 2011 HK\$'000 (Unaudited)	As at 31 March 2011 HK\$'000 (Audited)
Contracted but not provided for		
— acquisition of plant and equipment	—	1,000
— acquisition of a non wholly-owned subsidiary	7,035	—

Notes to the Unaudited Interim Financial Report

For the six months ended 30 September 2011

19. COMMITMENTS (Continued)

(b) Operating lease commitments

The Group as lessee

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

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

	As at 30 September 2011 HK\$'000 (Unaudited)	As at 31 March 2011 HK\$'000 (Audited)
Within one year	13,519	11,190
In the second to fifth years, inclusive	18,874	15,521
	32,393	26,711

20. COMPARATIVE FIGURES

Certain comparative figures have been restated or re-classified as a result of the discontinued operation.

21. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of Directors on 18 November 2011.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of brokerage services for securities and insurance and margin financing.

Review of operations

During the six months ended 30 September 2011, the total unaudited revenue for the Group of continuing operations was approximately HK\$12,316,000 (2010 restated: approximately HK\$37,377,000) and the total unaudited revenue for the Group of continuing operations excluded the trading loss on proprietary trading was approximately HK\$30,618,000. The unaudited profit attributed to shareholders of the Company ("Shareholders") was approximately HK\$13,280,000 (2010 restated: loss of approximately HK\$1,447,000). The profit was mainly due to the fair value change in derivative liabilities on convertible loan notes issued by the Group and the reduction of imputed interest expenses on convertible loan notes.

Securities broking business

The Group currently operates one wholly-owned securities company, namely Fortune (HK) Securities Limited. Revenue generated from the securities broking business during the six months ended 30 September 2011 was approximately HK\$11,343,000 (2010 restated: approximately HK\$21,241,000) which accounted for approximately 37.05% (excluded the trading loss amount) of the Group's total revenue (2010 restated: approximately 56.83%). The decrease in revenue was due to the instability in global financial markets, volatility in both the Hong Kong and the People's Republic of China ("PRC") stock markets and the completion of disposal of Excalibur Securities Limited on 20 January 2011.

The Group's strategy is to focus and strengthen existing securities operation of Fortune (HK) Securities Limited and work in close collaboration with our Shenzhen and Beijing representative offices to explore cross border business opportunities in securities trading and placement.

Securities financing business

During the period under review, interest income generated from securities margin loan portfolio was approximately HK\$17,525,000 (2010: approximately HK\$14,663,000), accounting for approximately 57.24% (excluded the trading loss amount) of the Group's total revenue (2010 restated: approximately 39.23%). Such revenue was attributed to the maintenance of adequate resources into the securities financing business. We have endeavoured to lower our financing costs such that we could stay competitive.

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

Proprietary trading

In 2011, the Group has started to engage in proprietary trading. We focus our investments on Hong Kong listed companies with growth opportunities. Our objective is to diversify the Group's revenue streams and utilize our resources to maximize returns.

However, due to the unclear picture of economic recovery in the United States (the "U.S."), the concerns about rising government deficits and sovereign debt repayments in some European countries, weak investor confidence and high volatility in global stock markets, market performance was affected during the period under review.

The Group incurred net loss on trading of listed securities amounting to approximately HK\$18,302,000 (2010: Nil). This was due to the loss on proprietary trading amounting to approximately HK\$3,088,000 (2010: Nil), recognition of an unrealized loss from the financial assets at fair value through profit or loss amounting to approximately HK\$15,433,000 for the six months ended 30 September 2011 (2010: Nil) and was offset by the dividend income of HK\$219,000 (2010: Nil).

Insurance broking

The revenue from the Group's insurance broking business for the period under review recorded approximately HK\$198,000 (2010: approximately HK\$757,000), accounting for approximately 0.64% (excluded the trading loss amount) of the Group's total revenue (2010 restated: approximately 2.02%).

Other businesses

The revenue generated from other business operations in the areas of immigration advisory and financial communication service during the six months ended 30 September 2011 was approximately HK\$1,552,000 (2010: approximately HK\$716,000), accounting for approximately 5.07% (excluded the trading loss amount) of the Group's total revenue (2010 restated: 1.92%). The Group aims to provide our clients with diversified products and services to suit their varying needs.

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

Prospects

The first six months of financial year 2011 ending 30 September marked a significant milestone in the development of the Group. On 12 April 2011, the Board announced the appointment of a new chairman, Mr Zhang Min, and he was redesignated from a non-executive Director to an executive Director of the Board. Mr Zhang joined the Group armed with a wealth of knowledge built upon a career in the banking sector in Hong Kong and PRC. His leadership has helped accelerating our vision and steering the Group in a more focused and chartered course. To reflect our strengthened intention and our commitment to success, we adopted our new name *China Fortune Financial Group Limited* in September 2011.

To be a major player in areas we participate in the financial services sector remains our strategic goal which drives our corporate development. Given the support from PRC which reinforces Hong Kong's position as an international financial centre, the 12th Five-year plan endorses Hong Kong's role as an offshore RMB centre and international asset management centre. With our Chinese network and our business development engine in PRC, we are here to dance to the music.

Our newly consolidated business in asset management will enable the Group to enjoy opportunities created by the country's rapid economic growth. We are extending our coverage by setting up an asset management venture in the PRC, further capitalising our investments in the area.

In November 2011, we have completed the acquisition of a non wholly-owned subsidiary which is a licensed corporate under Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activities. The acquired subsidiary is an established player providing financial advisory and independent financial advisory services to corporate clients in Greater China region. By integrating the team of corporate finance professional, the Group can achieve a further diversification of financial services offered.

On the global economic front, the impending risks in the European and the U.S. financial markets have driven the PRC government to tighten its monetary policy. Chinese banks in the PRC can no longer support the financing needs of Small and Medium Enterprises ("SMEs") in the country. Witnessing a surge in demand for loans and credits amongst SMEs, we are in advance discussion with a potential partner to engage in the small loan and finance leasing market.

Looking ahead, the Group will further consolidate the professional services offered by our subsidiaries to provide integrated financial and investment services to our clients.

Capital structure

As at 31 March 2011, the total issued shares of the Company (the "Shares") were 2,512,023,168 Shares.

A placing agreement dated 27 February 2008 was 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 six month ended 30 September 2011, convertible notes with an aggregate principal amount of HK\$4,000,000 were converted into 40,000,000 Shares under this agreement.

A conditional agreement dated 6 March 2009 was 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 of 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 six month ended 30 September 2011, ESL CB in the aggregate principal amount of HK\$5,880,000 were converted into 36,750,000 Shares.

A conditional agreement dated 6 March 2009 was 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 of 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 six month ended 30 September 2011, EFL CB in the aggregate principal amount of HK\$2,450,000 were converted into 15,312,500 Shares.

On 12 May 2011, the Company as the issuer entered into a placing agreement (the "Placing Agreement") with Fortune (HK) Securities Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, 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 150,000,000 placing shares at a placing price of HK\$0.33 per placing share. The placing of 150,000,000 placing shares was completed on 14 July 2011.

A subscription agreement dated 22 May 2009 (the "Subscription Agreement") was 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 six month ended 30 September 2011, convertible bonds with an aggregate principal amount of HK\$51,200,000 were converted into 320,000,000 Shares.

As at 30 September 2011, the total issued Shares were 3,074,085,668 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 period, 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

As at 30 September 2011, the Group's total current assets and current liabilities were approximately HK\$637,468,000 (as at 31 March 2011: approximately HK\$778,043,000) and approximately HK\$236,857,000 (as at 31 March 2011: approximately HK\$405,126,000) respectively, while the current ratio was about 2.69 times (as at 31 March 2011: about 1.92 times).

As at 30 September 2011, the Group's aggregate cash and cash equivalents amounted to approximately HK\$130,857,000 (as at 31 March 2011: approximately HK\$44,747,000), representing approximately 20.53% (as at 31 March 2011: approximately 5.75%) of total current assets.

The group had total other borrowings approximately HK\$83,000,000 as at 30 September 2011 (as at 31 March 2011: approximately HK\$99,000,000) which are primarily at fixed rates. Currently all the Group's borrowings are denominated in Hong Kong Dollars.

As at 30 September 2011, the gearing ratio, measured on the basis of total borrowing as a percentage of total Shareholders' equity, was approximately 30.58% (as at 31 March 2011: approximately 104.48%). The decrease was mainly due to repayment of loans during the six months ended 30 September 2011.

As at 30 September 2011, the debt ratio, defined as total debts over total assets, was approximately 35.73% (as at 31 March 2011: approximately 60.64%). The decrease in the debt ratio was mainly due to repayment of loans during the six months ended 30 September 2011.

Fund raising activities

On 6 September 2011, a second supplemental agreement (the "Second Supplemental Agreement") was entered into between the Company and Jadehero to supplement the Subscription Agreement and the supplement agreement dated 6 September 2010 (the "Supplement Agreement").

Pursuant to the Subscription Agreement, among others, an option (the "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 (the "Option Period") to 6 September 2010.

Pursuant to the Supplemental Agreement dated 6 September 2010 and the Second Supplemental Agreement dated 6 September 2011, the Company agreed to extend the Option Period to 36 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 2012. The Second Supplemental Agreement was approved by the Shareholders at the extraordinary general meeting of the Company held on 31 October 2011.

No Option had been exercised during the period under review.

On 12 May 2011, the Company as the issuer entered into a placing agreement (the "Placing Agreement") with Fortune (HK) Securities Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, as the placing agent pursuant to which the Company has agreed to place, through the placing agent on a best effort basis, a maximum of 150,000,000 placing shares at a placing price of HK\$0.33 per placing share. The placing of 150,000,000 placing shares was completed on 14 July 2011 and the proceeds of approximately HK\$49,000,000 was raised from the placing.

Material acquisition and disposal

On 22 May 2009, Fortune Financial entered into a conditional share transfer agreement (the “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 Conditional Share Transfer Agreement was terminated on 26 June 2011.

For identification purpose only

On 29 July 2011, a conditional sale and purchase agreement was entered into among Fortune Financial and New Century Excalibur Holdings Limited (“New Century”) in relation to the disposal of the entire equity interest in EFL and its subsidiaries by Fortune Financial to New Century at the consideration of HK\$15,880,000. The transaction constituted a major and connected transaction of the Company. The agreement was approved by the Shareholders at the extraordinary general meeting of the Company held on 9 September 2011. The disposal has not been completed as at the date of this report.

Significant investment

As at 30 September 2011, the Group held financial asset at fair value through profit or loss amounted to approximately HK\$12,305,000 (as at 31 March 2011: approximately HK\$37,079,000) and available-for-sale financial assets amounted to approximately HK\$1,948,000 (as at 31 March 2011: approximately HK\$1,948,000).

Post balance sheet events

On 6 September 2011, the Second Supplemental Agreement was entered into between the Company and Jadehero in respect of the extension of Option Period for further 12 months. Pursuant to the approval by the Shareholders at the extraordinary general meeting of the Company held on 31 October 2011, the Option Period has been extended for a further 12 months and will expire on 6 September 2012.

On 14 November 2011, a direct wholly-owned subsidiary of the Company (“Subscriber”), entered into the Exchangeable Note Agreement with Jovial Lead Limited (“Issuer”) and Credit China Holdings Limited (“Guarantor”) pursuant to which the Subscriber has conditionally agreed to subscribe for the Exchangeable Note in the principal amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000). Assuming that the exchangeable rights attaching to the exchangeable note are exercised in full, the exchange shares, representing 25% of the existing issued share capital of Media Eagle Limited, a company incorporated in Hong Kong with limited liability engaging in the provision of small loan financing services in Chongqing Municipality, will be transferred from the Issuer to the Subscriber and the shareholders’ loan in the aggregate amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000) being owed by Media Eagle Limited to the Issuer will be assigned to the Subscriber.

Contingent liabilities

As at 30 September 2011, the Group did not have any material contingent liabilities (as at 31 March 2011: Nil).

Charges on the group's assets

As at 30 September 2011, the Group had not charged or pledged any of its assets (as at 31 March 2011: 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 follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

Foreign currency fluctuation

During the six months ended 30 September 2011, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

Employees

As at 30 September 2011, the Group had 94 employees in total (2010: 183 employees). The Group remunerates employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

Litigation

One of the subsidiaries 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 is yet to conclude.

The subsidiary was sold to independent third party during the period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 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 Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests in Shares and underlying shares of the Company:

Name of Director	Capacity	Interest in Shares	Interest in underlying shares	Total interest in shares	Approximately percentage of the Company's issued share capital
Wong Kam Fat, Tony ("Mr. Wong") (Note 1)	Through controlled corporations	800,000,000	800,000,000	1,600,000,000 (Note 2)	52.05%
Xia Yingyan ("Mr. Xia") (Note 1)	Through controlled corporations	800,000,000	800,000,000	1,600,000,000 (Note 2)	52.05%

Notes:

1. Mr. Wong is the vice-chairman and a non-executive Director whereas Mr. Xia is an executive Director.
2. These Shares are directly held by Jadehero Limited and comprise (i) 800,000,000 Shares and (ii) 800,000,000 underlying shares.

Jadehero Limited (the "Jadehero"), a company incorporated in the British Virgin Islands with limited liability, was interested in 800,000,000 Shares of the Company as at 30 September 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 falling to be issued upon full exercise of option entitling Jadehero to subscribe for convertible bonds of the Company in the maximum principal sum of HK\$128 million with an initial conversion price of HK\$0.16 per conversion share.

The 800,000,000 underlying shares may fall to be issued upon full exercise of the Option (pursuant to the Subscription Agreement, the Supplemental Agreement and the Second Supplement Agreement) which is convertible into a maximum of 800 million Conversion Shares.

Save as disclosed above, as at 30 September 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 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 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 the underlying shares.

Long position in the Shares and the underlying shares:

Name of Shareholder(s)	Capacity	Interest in Shares	Interest in underlying shares	Total interest in shares	Approximate percentage to the issued share capital of the Company as at 30 September 2011
Jadehero Limited (Note 1)	Beneficial owner	800,000,000	800,000,000	1,600,000,000	52.05%
Southlead Limited (Note 1)	Interest of controlled corporation	800,000,000	800,000,000	1,600,000,000	52.05%
Xia Yingyan ("Mr. Xia") (Note 1)	Interest of controlled corporation	800,000,000	800,000,000	1,600,000,000	52.05%
Marvel Steed Limited (Note 1)	Interest of controlled corporation	800,000,000	800,000,000	1,600,000,000	52.05%
Wong Kam Fat, Tony ("Mr. Wong") (Note 1)	Interest of controlled corporation	800,000,000	800,000,000	1,600,000,000	52.05%
Mankind Investment Limited (Note 2)	Beneficial owner	500,000,000	—	500,000,000	16.26%
China Cinda (HK) Asset Management Co., Limited (Note 2)	Interest of controlled corporation	500,000,000	—	500,000,000	16.26%
Well Kent International Investment Company Limited (Note 2)	Interest of controlled corporation	500,000,000	—	500,000,000	16.26%
China Cinda Asset Management Co., Limited (Note 2)	Interest of controlled corporation	500,000,000	—	500,000,000	16.26%
PME Group Limited (Note 3)	Interest of controlled corporation	263,738,000	240,000,000	503,738,000	16.39%
Top Good Holdings Limited (Note 3)	Beneficial owner	263,738,000	—	263,738,000	8.58%
One Express Group Limited (Note 3)	Beneficial owner	—	240,000,000	240,000,000	7.81%
Lao Chio Kuan	Beneficial owner	200,000,000	—	200,000,000	6.51%

Notes:

1. As at 30 September 2011, Mr. Wong was the vice-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 800,000,000 shares of the Company as at 30 September 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 falling to be issued upon full exercise of option entitling Jadehero to subscribe for convertible bonds of the Company in the maximum principal sum of HK\$128 million with an initial conversion price of HK\$0.16 per conversion share.

The 800,000,000 underlying shares may fall to be issued upon full exercise of the Option (pursuant to the Subscription Agreement, the Supplemental Agreement and the Second Supplement Agreement) which is convertible into a maximum of 800 million Conversion Shares.

2. Mankind Investment Limited ("MIL"), a company incorporated in the British Virgin Islands with limited liability. MIL is wholly-owned by China Cinda (HK) Asset Management Co., Limited ("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. ("China Cinda"), 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.
3. As at 30 September 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 8.58% of the issued share capital of the Company).

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 30 September 2011.

Save as disclosed herein and to the knowledge of the Directors, as at 30 September 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the six months ended 30 September 2011.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ng Kay Kwok (chairman of the Audit Committee), Mr. Lam Ka Wai, Graham and Mr. Tam B Ray Billy. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2011.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standard of corporate governance as the Directors believe it would improve the effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in the markets and could enhance shareholders' value in consequence. During the period under review, the Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2011.

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information of the Company since the date of the 2011 annual report of the Company are as follows:

Mr. Ng Cheuk Fan, Keith, an executive and Managing Director of the Company, has resigned as an executive Director of New Environmental Energy Holdings Limited on 27 May 2011 and Hao Tian Resources Group Limited on 27 September 2011, companies listed on the Main Board of the Stock Exchange.

Mr. Lam Ka Wai, Graham, an independent non-executive Director of the Company, has resigned as an independent non-executive Director of Hao Wen Holdings Limited on 17 May 2011, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Lam was the independent non-executive Director of Nan Nan Resources Enterprise Limited (formerly known as International Resources Enterprise Limited), a company listed on the Main Board of the Stock Exchange.

Mr Ng Kay Kwok, an independent non-executive Director of the Company, has resigned as an executive Director and company secretary of M Dream Inworld Limited with effect from 31 May 2011, a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Tam B Ray Billy, an independent non-executive Director of the Company, was appointed as an independent non-executive Director of China Natural Investment Company Limited on 10 November 2011, a company listed on the Growth Enterprise Market of the Stock Exchange.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2011 annual report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Upon specific enquiry of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2011.

SHARE OPTION SCHEME

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

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

(a) 2003 Option Scheme

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

No share options was granted, exercised and cancelled during the six-month period pursuant to the 2003 Option Scheme.

(b) New Option Scheme

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

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

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

No share option was granted, exercised and cancelled during the period under review pursuant to the New Option Scheme.

As at 30 September 2011, the Company did not have any outstanding options under the 2003 Option Scheme and New Option Scheme.

By Order of the Board
China Fortune Financial Group Limited
Ng Cheuk Fan, Keith
Managing Director

Hong Kong, 18 November 2011

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