中國富強金融集團
CHINA FORTUNE FINANCIAL GROUP

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

中國富強

Annual Report 2012

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

Non-Executive Director

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. CAI Chun Fai

AUTHORISED REPRESENTATIVES

Mr. NG Cheuk Fan Keith
Mr. CAI Chun Fai

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

35/F, Office Tower
Convention Plaza
Wan Chai
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

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
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Hong Kong
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Fax: (852) 2849 3319

STOCK CODE

0290

WEBSITE

www.290.com.hk

CHAIRMAN'S STATEMENT

Over the past year, the global economy has undergone tremendous changes. The debt crisis in Greece triggered a series of downgrading of credit ratings in other European countries, including Portugal and Spain, which resulted in a steep downturn of the world economy, making a real dent in global trade and investment markets. With the strenuous efforts from the finance ministers of various countries, the European Central Bank (ECB) and the International Monetary Fund (IMF), the debt crisis was finally tamed and the economy was back on track.

Amidst such volatility, China Fortune Financial Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") advanced its business reorganization that bears a profound impact in a low profile. In August, our Company was officially renamed as "China Fortune Financial Group Limited" to further ascertain our strategic direction of "targeting the needs of small and medium-sized capital markets in Hong Kong and the People's Republic of China (the "**PRC**") to devote ourselves to the development of financial business".

During the period, we have strived to perfect the financial platform that is taking shape and optimize the service industry chains, including the acquisition of Fortune Financial Capital Limited ("**Fortune Financial Capital**") (formerly known as Athens Capital Limited), a company that provides corporate financing services, and the establishment of a fund management company in Tianjin, the PRC. Meanwhile, we also strengthened the operation of Fortune Wealth Management Limited, a company that provides personal wealth management services in Hong Kong; and incorporated Fortune Finance Limited to help small and medium enterprises to overcome their difficulties by providing money lending services.

In order to enhance the efficacy of resource allocation, we sold Excalibur Futures Limited, and discontinued the operation of China Fortune Group Strategic Investment Company Limited in Shenzhen during the year.

The business integration more clearly defines our future direction of "targeting the needs of small and medium-sized capital markets in Hong Kong and the PRC to devote ourselves to the development of financial business".

Looking ahead to the coming year, the global financial market remains clouded in uncertainties, which is expected to drag down the scale of loans provided by financial institutions, leaving small and medium enterprises continue to struggle with capital inadequacy. The Group maintains a prudent and optimistic attitude and is in the hope of grasping the chances to pave a road to a win-win situation. We will offer our customers with flexible one-stop financial services by providing asset management and private equity investment services, acting as a financial advisor and granting loans.

With our strong presence in Tianjin and Shenzhen, cities that are taking the lead in the economic development in the PRC, we are able to identify potential privately-run enterprises in both cities and across the nation, and assist them to go public in Hong Kong by offering them full support in terms of capital, technologies and talents.

In addition, the prosperous development of the Chinese economy has sharply increased the number of high net worth individuals in the Mainland. Therefore, we strongly believe that the wealth management market will be entering a stage of turbocharged development. We will study the needs of mainland entrepreneurs and high net worth clients to provide investment immigration services or fund investment programs for them, in a bid to extend our businesses to cover more diverse dimensions, thus creating stable income and cash flow.

CHAIRMAN'S STATEMENT

Leveraging on the advantages of our Chinese-funded background and Hong Kong capital market-rooted operation, as well as our financial service platforms in Hong Kong and the PRC, the Group expects to make remarkable achievements by catching up with the pace of high-speed economic development in the PRC.

After a year of temporary dormancy, the Group is now ready to make unrelenting efforts in the future and vigorously promote various financial businesses, aiming to become one of the pivotal players in the financial business of Greater China region with a substantial market share and to generate significant returns for our Company's shareholders (the "**Shareholders**").

By Order of the Board

ZHANG Min
Chairman

Hong Kong, 25 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2012, the turnover of the Group's continuing operations decreased by 37.12% to approximately HK$47,354,000 (2011: approximately HK$75,311,000). Loss of approximately HK$5,701,000 for the year ended 31 March 2012 (2011: approximately HK$32,618,000) was recorded from the discontinued operations following the disposal of the entire equity interest in Excalibur Futures Limited ("**EFL**") and its subsidiaries (collectively referred to as "**EFL Group**") on 29 July 2011. Due to the reduction of brokerage commission income, the impairment of account receivables and net loss on trading of listed securities, the Group's loss attributable to the owners of the Company amounted to approximately HK$69,602,000 (2011: approximately HK$65,370,000).

During the year under review, the Group has further diversified its business by provision of corporate consultancy services and money lending services. In November 2011, the Group has completed the acquisition of 80% of equity interests in a non-wholly-owned subsidiary, Fortune Financial Capital, which contributed turnover of approximately HK$2,328,000 to the Group during the period. In December 2011, the Group acquired of 35% equity interest in the finance lease operation as disclosed under "**Material Acquisitions or Disposals**" in order to develop the finance lease industry in the PRC.

REVIEW OF OPERATIONS

Broking and margin financing

For the year ended 31 March 2012, the Group recorded revenue of approximately HK$48,011,000 from broking and margin financing business, representing a decrease of 26.11% as compared to the revenue of approximately HK$64,977,000 last year. Such decrease in revenue was attributable to the instability in global financial markets, volatility in both the Hong Kong and the PRC stock markets and the completion of disposal of Excalibur Securities Limited ("**ESL**") on 20 January 2011.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our Shenzhen representative office to explore cross border business opportunities in securities trading and placement.

Corporate finance

During the year under review, the Group has diversified its business by provision of corporate finance services through the completion of the acquisition of 80% of equity interests in a non-wholly-owned subsidiary. The Group recorded revenue of approximately HK$2,328,000 from corporate finance business for the year ended 31 March 2012.

Proprietary trading

During the year under review, proprietary trading business was struck by global economic adversity that it recorded a loss of approximately HK$13,697,000 compared to a profit of approximately HK$7,524,000 in the correspondence period of last year. The loss during the year was mainly due to the high volatility of the securities market.

Money lending

During the year under review, the Group has diversified its business by provision of money lending services. The Group recorded revenue of approximately HK$7,841,000 from money lending business for the year ended 31 March 2012.

Other businesses

For the year ended 31 March 2012, the Group recorded revenue from other business operations in the areas of financial communication service of approximately HK$6,390,000, representing an increase of 85.43% as compared to the revenue of approximately HK$3,446,000 last year. 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.

Discontinued operations

The Group proposed to dispose the entire equity interest in EFL Group in July 2011. The future brokerage business carried by EFL Group up to the 31 March 2012 and loss of approximately HK$5,701,000 for the year ended 31 March 2012 are presented in the consolidated financial statements of the Group as discontinued operations. The disposal was subsequently completed in May 2012.

PROSPECTS

The extreme volatility in the global financial market has put the PRC in the spot light as an engine to facilitate the economic growth of other countries. As one of the key financial hub of the PRC, Hong Kong plays a pivotal role and also offers a rare opportunity for the Group.

During the year under review, the Company, officially renamed as "China Fortune Financial Group Limited", has focused on the development of financial services business, particularly in the small and medium-sized capital markets in Hong Kong and the PRC. Capitalizing on the rich experience and vision of the management, we expect the Group will gradually get involved into a financial field featuring comprehensiveness and professionalism in order to provide our clients more diversified and qualified financial services. The Group's goal is to become a major participant in the financial service sector of Hong Kong.

To seize various business opportunities amidst high-speed economic growth in the PRC, the Group is establishing related networks and connections across the country, which is destined to switch our business to top gear.

One of the business priorities is to establish asset management venture in the PRC, further capitalising our investments in the area. In November 2011, we have completed the acquisition of Fortune Financial Capital, so as to provide financial advisory and independent financial advisory services to corporate clients in Greater China region.

Moreover, in light of the excessive demands of small and medium enterprises for financing that cannot be satisfied by Chinese bank loans, the Group has been engaging into the small loan and finance lease sectors at the end of 2011, and extending the highly lucrative alternative financing market. Through acquisition of and capital injection in Measure Up International Limited, the Group has engaged in finance lease related business in and around Shanghai, which is expected to increase our revenue sources and be conducive to the long-term development.

Looking ahead, the Group will consolidate and perfect the existing securities investment related services. Meanwhile, we proactively identify new business opportunities in light of the current situation, so as to pursue a greater return for Shareholders.

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 bonds 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 2012, convertible notes with an aggregate principal amount of HK$12,000,000 were converted into 120,000,000 Shares under this agreement.

On 17 February 2009, the Group granted remuneration warrants to Veda Capital Limited 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. During the year ended 31 March 2012, remuneration warrants were exercised to subscribe for 12,000,000 Shares.

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 to 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 2012, 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 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 year ended 31 March 2012, EFL CB in the aggregate principal amount of HK$2,450,000 were converted into 15,312,500 Shares.

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 convertible 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 2012, convertible bonds with an aggregate principal amount of HK$51,200,000 were converted into 320,000,000 Shares.

On 12 May 2011 the Company as the issuer entered into a placing agreement (the "**Placing Agreement**") with Fortune (HK) Securities Limited ("**F(HK)SL**"), 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, a maximum of 150,000,000 placing shares at a placing price of HK$0.33 per placing share. The placing of shares was completed on 14 July 2011.

As at 31 March 2012, the total issued Shares were 3,166,085,668 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 year, all the licensed subsidiaries complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules ("**HKSF(FR)R**").

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 2012, the Group's total current assets and current liabilities were approximately HK$488,969,000 (2011: approximately HK$778,043,000) and approximately HK$137,335,000 (2011: approximately HK$405,126,000) respectively, while the current ratio was about 3.56 times (2011: about 1.92 times).

As at 31 March 2012, the Group's aggregate cash balance amounted to approximately HK$69,251,000 (2011: approximately HK$44,747,000), representing approximately 14.16% (2011: approximately 5.75%) of total current assets.

As at 31 March 2012, the Group had total bank and other borrowing of approximately HK$54,328,000 and the Group had total other borrowings and guaranteed exchangeable notes as at 31 March 2011 of approximately HK$99,000,000 and approximately HK$81,169,000, respectively. Other borrowings and guaranteed exchangeable notes are primarily at fixed rates while bank borrowings are primarily at variable rates. Currently all the Group's bank and other borrowings are denominated in Hong Kong Dollars except the guaranteed exchange notes were 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 2012, measured on the basis of total borrowing as a percentage of total Shareholders' equity, was approximately 35.63% (2011: approximately 104.48%). The decrease was mainly due to repayment of other borrowings and guaranteed exchangeable note and issue of the share capital by placing, conversion from bondholders and upon exercise of share warrants.

As at 31 March 2012, the debt ratio, defined as total debts over total assets, was approximately 43.03% (2011: approximately 60.64%). The decrease in the ratio was mainly due to repayment of guaranteed exchangeable note and decrease in convertible loan notes liabilities.

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 supplemental agreement dated 6 September 2010 (the "**Supplemental 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 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 out 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 year under review.

On 12 May 2011, the Company as the issuer entered into a placing agreement (the "**Placing Agreement**") with F(HK)SL, 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$49,500,000 were 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 Future**") 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.

On 29 July 2011, Fortune Financial, a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with New Century Excalibur Holdings Limited ("**New Century**") pursuant to which Fortune Financial has agreed to dispose the entire equity interest of EFL Group to New Century at the consideration of HK$15,880,000. The transaction constituted a major and connected transaction of the Company. Details of which were published in the Company's announcement dated 29 July 2011. The disposal has been completed on 31 May 2012.

On 21 December 2011, Promiseasy Limited, a direct wholly-owned subsidiary of the Company ("**Promiseasy**"), entered into the sale and purchase agreement with Ever Step Holdings Limited ("**Ever Step**") and Credit China Holdings Limited pursuant to which Promiseasy has agreed to purchase 35% of the share capital in Measure Up International Limited ("**Measure Up**") and its subsidiaries (collectively referred to as "**Measure Up Group**"), and an interest-free on demand loan of approximately HK$32,308,000 due from Measure Up at the consideration of approximately HK$40,385,000 by the issue of the convertible bond by the Company to Ever Step. Upon full conversion of the convertible bond, 201,923,075 conversion shares will be issued by the Company. Measure Up Group is engaged in the businesses of finance leases, leasing, sale and purchase of local and overseas business, and advisory and guarantee services in relation to leasing business in the PRC. The transaction constitutes a discloseable transaction of the Company. Details of which were published in the Company's announcement dated 21 December 2011. The acquisition has been completed on 29 December 2011.

Other than disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 March 2012.

For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT

During the year under review, the Group purchased the exchangeable note (the "**Exchangeable Note**") with principal amount of US$7,500,000 (equivalent to approximately HK$58,500,000) issued by Jovial Lead Limited ("**Jovial Lead**"). Jovial Lead is a wholly-owned subsidiary of Credit China Holdings Limited, a public limited company with its shares listed on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Exchangeable Note bears 12% interest per annum with maturity on 15 November 2012.

As at 31 March 2012, the Group held financial asset at fair value through profit or loss amounting to approximately HK$14,915,000 (2011: approximately HK$37,079,000), available-for-sale financial assets amounting to approximately HK$1,448,000 (2011: approximately HK$1,948,000) and convertible instruments designated as financial assets at fair value through profit or loss amounting to HK$60,317,000 (2011: approximately HK$2,106,000).

EVENT AFTER THE REPORTING PERIOD

On 18 May 2012, First Dynasty Holdings Limited, a direct wholly-owned subsidiary of the Company, acquired the remaining 20% of the share capital in Fortune Financial Capital.

On 29 July 2011, the Group entered into a sales and purchase agreement for the sale of the entire issued share capital in EFL to New Century, an independent third party to the Group, for a consideration of HK$15,880,000. The disposal was subsequently completed on 31 May 2012, and details of which were published in the Company's announcement dated 29 July 2011, 30 March 2012 and 31 May 2012, respectively, as well as the circular of the Company dated 25 August 2011 and the poll result announcement of the Company dated 9 September 2011.

CONTINGENT LIABILITIES

As at 31 March 2012, the Group did not have any material contingent liabilities (2011: HK$Nil).

CHARGE ON THE GROUP'S ASSET

As at 31 March 2012, the Group had not charged or pledged any of its assets (2011: 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 2012, the Group mainly uses Hong Kong dollars to carry out its business transactions. The board of Directors (the "**Board**") considers that the foreign currency exposure is insignificant.

HUMAN RESOURCES

As at 31 March 2012, the Group had 128 employees (2011: 113). 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.

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 has yet to conclude.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. ZHANG Min

Mr. ZHANG Min, aged 54, 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 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. Both CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited are wholly-owned subsidiaries of China Construction Bank Corporation (together with its subsidiaries referred to as the "**CCBC Group**"), a joint stock company incorporated in 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 51, 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 and the company secretary of U-right International Holdings Limited, a company listed on the main board of the Stock Exchange. In addition, Mr. Ng was executive director of Hao Tian Resources Group Limited from 1 September 2009 to 20 September 2011, New Environmental Energy Holdings Limited from 16 August 2010 to 27 May 2011, Fujian Holdings Limited (formerly known as Fujian Group Limited) from April 1996 to 21 July 2001 and Shougang Fushan Resources Group Limited (formerly known as Fu Hui Holdings Limited) from May 1999 to 14 September 2001, companies listed on the main board of the Stock Exchange. He also was executive director and chief financial controller of PNG Resources Holdings Limited (formerly known as LeRoi Holdings Limited) from 30 July 2004 to 2 June 2008, a company listed on the main board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. HON Chun Yu

Mr. HON Chun Yu, aged 36, was appointed as an executive Director of the Company in January 2010. He has over nine 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)SL, a wholly-owned subsidiary of the Company.

Mr. XIA Yingyan

Mr. XIA Yingyan, aged 50, 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.

NON-EXECUTIVE DIRECTOR

Mr. WONG Kam Fat Tony

Mr. WONG Kam Fat Tony, aged 49, 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.

Mr. WU Ling

Mr. WU Ling, aged 58, was appointed as non-executive Director on 16 December 2011. He holds a Bachelor of degree in Economics from Zhongnan University of Economics and Law. Mr. Wu is a senior economist and has over 20 years of experience in the PRC in the area of banking and financial services related business. Mr. Wu is currently an executive director and vice chairman of Well Kent International Investment Company Limited ("**Well Kent**"), a company incorporated in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON -EXECUTIVE DIRECTORS

Mr. LAM Ka Wai Graham

Mr. LAM Ka Wai Graham, aged 44, 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 18 years of experience in investment banking as well as around 4 years of experience in accounting and auditing. He is also the independent non-executive director of Cheuk Nang (Holdings) Limited, Pearl Oriental Oil Limited, King Stone Energy Group Limited and Nan Nan Resources Enterprise Limited, companies listed on the Main Board of the Stock Exchange and Trasy Gold Ex Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (the "**GEM**"). In addition, Mr. Lam was the independent non-executive director of Value Convergence Holdings Limited from 4 January 2010 to 24 May 2012, Applied Development Holdings Limited from 1 October 2005 to 12 December 2011 and China Oriental Culture Group Limited from 29 January 2008 to 5 October 2010, companies listed on the Main Board of the Stock Exchange and China Railway Logistics Limited from 22 December 2008 to 27 April 2012, Hao Wen Holdings Limited from 17 November 2010 to 16 May 2011 and Finet Group Limited from 5 August 2009 to 24 January 2011, companies listed on the GEM.

Mr. NG Kay Kwok

Mr. NG Kay Kwok, aged 50, was appointed as an independent non-executive Director of the Company in September 2007. Mr. Ng graduated from the Australian National University with a Bachelor's Degree in Economics and obtained a Graduate Diploma in Accounting from Macquarie University. He is a member of CPA Australia and has extensive experience in accounting and financial management. Mr. Ng is an executive director and the chief executive officer of M Dream Inworld Limited ("**M Dream**"), a company listed on the GEM, in 29 May 2012. He was an executive director and the chief executive officer from 9 July 2010 to 31 May 2011 and company secretary from 1 January 2007 to 31 May 2011 of M Dream.

Mr. TAM B Ray Billy

Mr. TAM B Ray Billy, aged 44, 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 holding 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 directors of M Dream, China Natural Investment Company Limited and China AU Group Holdings Limited, all of which are listed on the GEM. Mr. Tam is also a non-executive director of Larry Jewelry 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.

DIRECTORS' REPORT

REPORT OF DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2012 of the Group.

CHANGE OF COMPANY NAME AND LOGO

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 special resolution regarding the change of name of the Company was passed by the Shareholders at the extraordinary general meeting held on 19 August 2011. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 22 August 2011. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies of the Hong Kong Special Administrative Region on 20 September 2011.

As a result of the change of name of the Company, the logo of the Company has also been changed. The new logo will be printed on all corporate documents of the Company, including but not limited to, the Company's share certificates, promotional materials, interim and annual reports and corporate stationery.

CHANGE OF STOCK SHORT NAME

The English stock short name of the Company has been changed from "CH FORTUNE GP" to "C FORTUNE FIN" and the Chinese stock short name has been changed from "中國富強集團" to "中國富強金融". The Shares has been traded on the Stock Exchange under the new stock short name on 29 September 2011. The stock code of the Company will remain as "290".

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 2012 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 2012 (2011: Nil).

PLANT AND EQUIPMENT

Details of movements in the 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 40 and 39 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

As at 31 March 2012 and 31 March 2011, the Company had no reserves available for distributions.

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 140 of this annual report. This summary does not form part of the audited financial statements.

CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2012, the Group made charitable contributions totaling HK$1,513,000.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's original share option scheme was approved by the Shareholders on 12 February 2003 (the "**2003 Scheme**"), and was early terminated and replaced by a new share option scheme approved by the Shareholders on 19 August 2011 (the "**2012 Scheme**").

No share option was granted, exercised and cancelled during the year ended 31 March 2012 pursuant to the 2003 Scheme and 2012 Scheme.

As at 31 March 2012, the Company did not have any outstanding options under the 2003 Scheme and 2012 Scheme.

Details of the share option scheme are set out in note 42 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. ZHANG Min *(Chairman)*	(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	(Re-designated as executive Director on 5 May 2011)
Mr. YEUNG Kwok Leung	(Resigned all his offices in the Company on 24 February 2012)

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)
Mr. WU Ling	(Appointed as non-executive Director on 16 December 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. WU Ling, being an non-executive Director shall hold office only until the annual general meeting of the Company ("**AGM**") and, being eligible, offer himself for re-election at the AGM.

In accordance with article 116 of the Articles of Association, Mr. WONG Kam Fat Tony, Mr. LAM Ka Wai Graham and Mr. TAM B Ray Billy shall retire by rotation and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Group are set out on pages 13 to 15 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 2012, 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 (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	Total interests in Shares	Approximately percentage of the Company's issued share capital
WONG Kam Fat Tony ("**Mr. Wong**") *(Note 1)*	800,000,000	800,000,000	1,600,000,000 *(Note 2)*	50.54%
XIA Yingyan ("**Mr. Xia**") *(Note 1)*	800,000,000	800,000,000	1,600,000,000 *(Note 2)*	50.54%

Notes:

1. As at 31 March 2012, Mr. Wong was the vice-chairman and non-executive Director of the Company whereas Mr. Xia was an executive Director.

2. These Shares are directly held by Jadehero Limited ("**Jadehero**").

   Jadehero, a company incorporated in the British Virgin Islands with limited liability, was interested in 800,000,000 Shares of the Company as at 31 March 2012. 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 Supplemental Agreement) which is convertible into a maximum of 800 million conversion shares.

Save as disclosed above, as at 31 March 2012, 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 2012.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2012, the register of substantial shareholders' interests in Shares and short positions maintained under section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more held in the Shares and underlying shares of the Company.

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

Name of Shareholder(s)	Capacity	Number of Shares	Number of underlying shares	Total interest in shares	Approximate percentage to the issued share capital of the Company as at 31 March 2012
Southlead Limited *(Note 1)*	Interest of controlled corporation	800,000,000	800,000,000	1,600,000,000	50.54%
XIA Yingyan ("**Mr. Xia**") *(Note 1)*	Interest of controlled corporation	800,000,000	800,000,000	1,600,000,000	50.54%
Marvel Steed Limited *(Note 1)*	Interest of controlled corporation	800,000,000	800,000,000	1,600,000,000	50.54%
WONG Kam Fat Tony ("**Mr. Wong**") *(Note 1)*	Interest of controlled corporation	800,000,000	800,000,000	1,600,000,000	50.54%
Jadehero Limited *(Note 1)*	Beneficial owner	800,000,000	800,000,000	1,600,000,000	50.54%
China Cinda (HK) Asset Management Co., Limited *(Note 2)*	Interest of controlled corporation	500,000,000	–	500,000,000	15.79%
Well Kent International Investment Company Limited *(Note 2)*	Interest of controlled corporation	500,000,000	–	500,000,000	15.79%
China Cinda Asset Management Co., Limited *(Note 2)*	Interest of controlled corporation	500,000,000	–	500,000,000	15.79%
Mankind Investment Limited *(Note 2)*	Beneficial owner	500,000,000	–	500,000,000	15.79%
China Railway Logistics Limited *(Note 3)*	Interest of controlled corporation	310,738,000	–	310,738,000	9.81%
Right Magic Limited *(Note 3)*	Beneficial owner	263,738,000	–	263,738,000	8.33%
SHI Zhi Jun ("**Mr. Shi**") *(Note 4)*	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Kaiser Capital Holdings Limited *(Note 4)*	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Credit China Holdings Limited *(Note 4)*	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Ever Step Holdings Limited *(Note 4)*	Beneficial owner	–	201,923,075	201,923,075	6.38%
PME Group Limited *(Note 5)*	Interest of controlled corporation	–	200,000,000	200,000,000	6.32%
One Express Group Limited *(Note 5)*	Beneficial owner	–	200,000,000	200,000,000	6.32%
SO Chi Yuk	Beneficial owner	200,000,000	–	200,000,000	6.32%

Notes:

1. As at 31 March 2012, Mr. Wong was the vice-chairman and non-executive Director of the Company whereas Mr. Xia was the 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 31 March 2012. 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 the 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 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. Right Magic Limited, an indirectly wholly-owned subsidiary of China Railway Logistics Limited ("**China Railway**"), 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 8.33% of the issued share capital of the Company as at 31 March 2012).

   Sure Venture Investment Limited, an indirectly wholly-owned subsidiary of China Railway, is the registered beneficial owner of 40,000,000 Shares (representing approximately 1.26% of the issued share capital of the Company as at 31 March 2012).

   Excel Return Enterprise Limited, an indirectly wholly-owned subsidiary of China Railway, is the registered beneficial owner of 7,000,000 Shares (representing approximately 0.22% of the issued share capital of the Company as at 31 March 2012).

   In all, China Railway is deemed to be interested in 310,738,000 shares as at 31 March 2012.

4. Ever Step Holdings Limited, an indirectly wholly-owned subsidiary of Credit China Holdings Limited ("**Credit China**"), a company whose shares are listed on the GEM board of the Stock Exchange, owns HK$40,384,615 of the 12% coupon convertible loan note issued by the Company in the aggregate principal of HK$40,384,615 due 29 December 2014 with an initial conversion price of HK$0.2 per conversion share. It is owned as to 34% by Kaiser Capital Holdings Limited ("**Kaiser Capital**"). Mr. Shi is the sole beneficial owner of the entire equity interest of Kaiser Capital. Accordingly, Mr. Shi is deemed to be interested in 201,923,075 shares.

5. One Express Group Limited, an indirectly wholly-owned subsidiary of PME Group Limited ("**PME**"), owns the entire zero coupon bonds issued by the Company in the aggregate principal amount of HK$32,000,000 due 30 June 2012 with an initial conversion price of HK$0.16 per conversion share due on 30 June 2012. Accordingly, PME is deemed to be interested in 200,000,000 shares.

Save as disclosed herein and to the knowledge of the Directors, as at 31 March 2012, 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

Pursuant to the Second Supplemental Agreement dated 6 September 2011, the Company conditionally agreed to extend the Option Period for further 12 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 2012.

Jadehero was a substantial Shareholder and was interested in 800,000,000 Shares and 800,000,000 underlying shares of the Company as at 6 September 2011. It was owned as to 60% by Marvel Steed Limited and 40% by Southlead Limited as at 6 September 2011. Mr. WONG Kam Fat Tony ("**Mr. Wong**"), the vice-chairman and non-executive Director of the Company, is the sole beneficial owner of Marvel Steed Limited, while Mr. XIA Yingyan ("**Mr. Xia**"), the executive Director, is the sole beneficial owner of Southlead Limited. Accordingly, Jadehero, Marvel Steed Limited, Southlead Limited, Mr. Wong and Mr. Xia 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 31 October 2011.

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 2012.

The Group is a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's 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 REPORT

The Company's corporate governance principles and code are set out in the Corporate Governance Report on pages 25 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, 25 June 2012

CORPORATE GOVERNANCE REPORT

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 code are based on the principles (the "**Principles**") and the code provisions ("**the Code Provisions**") of the Corporate Governance Code (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 2012, 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 four executive Directors, two non-executive Directors and three independent non-executive Directors. Twelve Board meetings were held during the financial year ended 31 March 2012. 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)	12/12	N/A	N/A	N/A
NG Cheuk Fan Keith	12/12	5/5	N/A	3/3
HON Chun Yu	12/12	N/A	N/A	N/A
XIA Yingyan (re-designated as executive Director on 5 May 2011)	12/12	N/A	N/A	N/A
YEUNG Kwok Leung (resigned all his offices in the Company on 24 February 2012)	9/12	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)	10/12	N/A	N/A	N/A
WU Ling (appointed as non-executive Director on 16 December 2011)	3/12	N/A	N/A	N/A
Independent non-executive Directors				
NG Kay Kwok[1]	11/12	5/5	3/3	3/3
LAM Ka Wai Graham[2]	11/12	4/5	3/3	2/3
TAM B Ray Billy[3]	11/12	5/5	3/3	3/3

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" 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

As at 31 March 2012, Mr. ZHANG Min re-designated as executive Director and was appointed as chairman of the Company on 12 April 2011, Mr. WONG Kam Fat Tony resigned as chairman of the Company and appointed as vice-chairman of the Company on 12 April 2011 and 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". 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.

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 (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 was revised with effect from 29 February 2012 and are aligned with the provision set out in the Code. The main duties of the Remuneration Committee include:

(a) to make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibility and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the year under review, the Remuneration Committee held five 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 and was revised with effect from 29 February 2012. The main duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors, in particular the chairman and the chief executive.

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

During the year under review, the Nomination Committee held three meetings and has duly discharged the duties mentioned above.

(G) AUDITOR'S REMUNERATION

The Group's independent auditor is SHINEWING (HK) CPA Limited ("SHINEWING"). The Audit Committee is responsible for considering the appointment of the auditor and also reviews any non-audit functions performed by the auditor for the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest. For the year ended 31 March 2012, the auditor's remuneration paid or payable in respect of the audit and other non-audit services provided to the Group by SHINEWING were as follows:

	HK$
Audit services	750,000
Non-audit related services	
– Working capital sufficiency review on major disposal of the entire interest in EFL	88,000
– Other advisory services	190,000

(H) AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The responsibilities of the auditor to the shareholders are set out on pages 34 and 35.

(I) 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 was revised with effect from 29 February 2012 and are aligned with the provision set out in the Code. The main duties of the Audit Committee include:

Relationship with the Company's auditors

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

(d) to develop and implement policy on engaging of an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

(e) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

(f) in reviewing these reports mentioned in paragraph (e) before submission to the Board, focusing particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from the audit;

(iv) the going concern assumption and any qualifications;

(v) compliance with accounting standards;

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(g) regarding (e) and (f) above:

(i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Company's financial reporting system and internal control procedures

(h) to review the Company's financial controls, internal control and risk management systems;

(i) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(j) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(k) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(l) to review the Group's financial and accounting policies and practices;

(m) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(p) to act as the key representative body for overseeing the Company's relations with the external auditor;

(q) to report to the Board on the matters set out above; and

(r) to consider other matters, as defined or assigned by the Board from time to time.

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

(a) To 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; and

(d) To discuss the whistlebowing policy throughout the Group.

(J) 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 2012 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 2012, 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.

(K) 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.

(L) LIABILITY INSURANCE FOR THE DIRECTORS

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

(M) 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 2011 AGM and answered questions from the Shareholders. An AGM circular was distributed to all Shareholders at least 20 clear business days prior to the 2011 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 FINANCIAL GROUP LIMITED
(FORMERLY KNOWN AS CHINA FORTUNE GROUP LIMITED)
中國富強金融集團有限公司
(前稱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 Financial Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 36 to 139 which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 about 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 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.

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 2012 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
25 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 March 2012

Continuing operations	Notes	2012 HK$'000	2011 HK$'000
			(Restated)
Turnover	7	**47,354**	75,311
Cost of securities brokerage and margin financing		**(4,070)**	(10,033)
Other revenue	9	**20,119**	3,592
Depreciation		**(4,737)**	(2,281)
Salaries and allowances		**(41,257)**	(28,137)
Change in fair value of financial assets designated as fair value through profit or loss		**(289)**	(144)
Gain on disposal of investments held for trading		**–**	742
Change in fair value of derivative component of convertible loan notes		**52,400**	2,863
Gain on early redemption of guaranteed exchangeable notes	36	**8,836**	–
Change in fair value of guaranteed exchangeable notes	36	**(5,467)**	(3,369)
(Loss) gain on disposal of subsidiaries	44	**(1,054)**	5,000
Impairment losses	10	**(70,770)**	(11,239)
Other operating and administrative expenses		**(50,725)**	(41,922)
Share of profits of jointly-controlled entities		**157**	–
Finance costs	11	**(14,506)**	(22,341)
Loss before tax	12	**(64,009)**	(31,958)
Income tax expense	13	**(452)**	(939)
Loss for the year from continuing operations		**(64,461)**	(32,897)
Discontinued operations			
Loss for the year from discontinued operations	16	**(5,701)**	(32,618)
Loss for the year		**(70,162)**	(65,515)
Other comprehensive income			
Share of other comprehensive income of jointly-controlled entities		**4**	–
Exchange differences arising on translation of foreign operations		**19**	9
Other comprehensive income for the year		**23**	9
Total comprehensive expenses for the year		**(70,139)**	(65,506)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 March 2012

	Note	**2012 HK$'000**	2011 HK$'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		**(69,602)**	(65,370)
Non-controlling interests		**(560)**	(145)
		(70,162)	(65,515)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(69,579)**	(65,361)
Non-controlling interests		**(560)**	(145)
		(70,139)	(65,506)
		HK cents	HK cents
Loss per share	17		
From continuing and discontinued operations			
Basic		**(2.29)**	(3.53)
Diluted		**(3.19)**	(3.53)
From continuing operations			
Basic		**(2.10)**	(1.77)
Diluted		**(3.04)**	(1.77)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Plant and equipment	18	**11,588**	9,258
Intangible assets	19	**–**	2,741
Club membership debentures	20	**6,610**	–
Other non-current assets	21	**275**	2,632
Goodwill	22	**3,994**	–
Available-for-sale financial assets	23	**1,448**	1,948
Interests in jointly-controlled entities	24	**8,238**	–
Deposits	29	**3,345**	–
		35,498	16,579
Current assets			
Investments held for trading	25	**14,915**	37,079
Trade receivables	26	**210,405**	331,887
Loan receivables	27	**55,270**	150,542
Amounts due from jointly-controlled entities	24	**32,308**	–
Amount due from an investee company	28	**–**	5,004
Other receivables, deposits and prepayments	29	**3,221**	26,782
Convertible instruments designated as financial assets at fair value through profit or loss	30	**60,317**	2,106
Derivative component of convertible loan notes	39	**4,924**	–
Investment deposits	31	**–**	66,619
Amount due from a non-controlling shareholder of a subsidiary	32	**125**	625
Bank balances and cash – trust	33	**38,233**	112,652
Bank balances and cash – general	33	**69,251**	44,747
		488,969	778,043
Assets classified as held for sale	16	**108,512**	–
		597,481	778,043
Current liabilities			
Trade payables, other payables and accruals	34	**43,467**	151,627
Bank and other borrowings	35	**54,328**	99,000
Derivative component of convertible loan notes	39	**7,359**	60,221
Guaranteed exchangeable notes	36	**–**	81,169
Convertible loan notes	39	**31,424**	9,488
Provision	37	**–**	940
Tax payable		**757**	2,681
		137,335	405,126
Liabilities associated with assets held for sale	16	**94,976**	–
		232,311	405,126
Net current assets		**365,170**	372,917
Total assets less current liabilities		**400,668**	389,496

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	40	**316,609**	251,202
Reserves		**43,293**	61,406
Equity attributable to owners of the Company		**359,902**	312,608
Non-controlling interests		**720**	145
Total equity		**360,622**	312,753
Non-current liability			
Convertible loan notes	39	**40,046**	76,743
		400,668	389,496

The consolidated financial statements on pages 36 to 139 were approved and authorised for issue by the Board on 25 June 2012 and are signed on its behalf by:

ZHANG Min
Director

NG Cheuk Fan Keith
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 reserve 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:												
– Exchange differences arising on translation of foreign operations	–	–	–	–	9	–	–	–	–	9	–	9
Loss for the year	–	–	–	–	–	–	–	–	(65,370)	(65,370)	(145)	(65,515)
Total comprehensive income (expenses) 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 40 (a))	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
Issue of new shares upon conversion of convertible loan notes (note 40 (b))	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2012

	Attributable to owners of the Group										
	Share capital HK$'000	Share premium HK$'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 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 year:											
– Exchange differences arising on translation of foreign operations	–	–	–	19	–	–	–	–	19	–	19
– Share of other comprehensive income of jointly-controlled entities	–	–	–	4	–	–	–	–	4	–	4
	–	–	–	23	–	–	–	–	23	–	23
Loss for the year	–	–	–	–	–	–	–	(69,602)	(69,602)	(560)	(70,162)
Total comprehensive income (expenses) for the year	–	–	–	23	–	–	–	(69,602)	(69,579)	(560)	(70,139)
Acquisition of a subsidiary (note 43)	–	–	–	–	–	–	–	–	–	885	885
Capital contribution from a non-controlling interest shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	250	250
Recognition of equity component of convertible loan notes (note 39)	–	–	–	–	7,086	–	–	–	7,086	–	7,086
Issue of new shares (note 40 (c))	15,000	34,500	–	–	–	–	–	–	49,500	–	49,500
Issue of new shares upon exercise of share warrants (note 41)	1,200	552	(552)	–	–	–	–	–	1,200	–	1,200
Issue of new shares upon conversion of convertible loan notes (note 40 (d))	49,207	19,123	–	–	(9,243)	–	–	–	59,087	–	59,087
At 31 March 2012	316,609	431,725	–	32	13,683	13,524	1,863	(417,534)	359,902	720	360,622

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 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Loss before tax for		
Continuing operations	**(64,009)**	(31,958)
Discontinued operations	**(5,701)**	(31,698)
	(69,710)	(63,656)
Adjustments for:		
Changes in fair value of derivative component of convertible loan notes	**(52,400)**	(2,863)
Finance costs	**14,506**	22,341
Divided income	**(219)**	–
Net loss (gain) on trading of listed securities	**13,916**	(7,524)
Depreciation of plant and equipment	**5,285**	3,041
Loss (gain) on disposal of investment held for trading	**724**	(2,062)
Amortisation of intangible assets	**–**	4,000
Impairment loss recognised in respect of trade receivables	**63,691**	16,421
Impairment loss recognised in respect of intangible assets	**2,261**	15,333
Impairment loss recognised in respect of available-for-sale financial assets	**500**	1,254
Impairment loss recognised in respect of amount due from an investee company	**5,042**	–
Write off of loan and other receivables	**2,987**	–
Gain on early redemption of guaranteed exchangeable notes	**(8,836)**	–
Change in fair value of guaranteed exchangeable notes	**5,467**	3,369
Change in fair value of financial assets designated as fair value through profit or loss	**289**	144
Write off of plant and equipment	**291**	69
Profit guarantee compensation	**–**	(1,000)
Loss (gain) on disposal of subsidiaries	**1,054**	(5,000)
Reversal of impairment loss recognised in respect of trade receivables	**(824)**	(62)
Write back of long outstanding trade payables, other payables and accruals	**–**	(409)
Share of profits of jointly-controlled entities	**(157)**	–
Interest income from financial institutions	**(738)**	(20)
Interest income from investment deposits	**(8,594)**	–
Interest income from loan receivables	**–**	(542)
Operating cash flow before movements in working capital	**(25,465)**	(17,166)
Decrease (increase) in other non-current assets	**857**	(698)
Decrease (increase) in investments held for trading	**7,524**	(37,023)
Decrease in loan receivables	**133,272**	–
Decrease in trade receivables	**27,833**	31,467
Decrease in other receivables, deposits and prepayments	**15,500**	1,435
Decrease in amounts due from directors	**–**	1,340
Decrease (increase) in bank balances and cash – trust	**14,160**	(328)
Decrease in trade payable, other payables and accruals	**(13,903)**	(4,451)
Dividend income	**219**	–

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash from (used in) operations		**159,997**	(25,424)
Income taxes paid		**(1,746)**	(2,612)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**158,251**	(28,036)
INVESTING ACTIVITIES			
Purchase of convertible instruments designated at financial assets at fair value through profit or loss		**(58,500)**	(2,250)
Purchase of plant and equipment		**(10,793)**	(6,456)
Purchase of club membership debentures		**(6,610)**	–
Net cash outflow in respect of the acquisitions of subsidiaries	43	**(4,896)**	(2,586)
Net cash (outflow) inflow in respect of the disposal of subsidiaries	44	**(347)**	8,871
Advance to an investee company		**(38)**	(5,004)
Increase in loan receivables		**–**	(150,000)
Purchase of available-for-sale financial assets		**–**	(1,002)
Refund of Investment deposits		**26,619**	–
Interest income from investment deposits		**8,594**	–
Bank interest received		**738**	20
Repayment from a non-controlling shareholder		**500**	–
NET CASH USED IN INVESTING ACTIVITIES		**(44,733)**	(158,407)
FINANCING ACTIVITIES			
Proceeds from issue of new shares		**49,500**	192,015
Bank and other borrowings raised		**37,000**	59,000
Proceeds from issue of new shares upon exercise of share warrants		**1,200**	–
Capital contribution from a non-controlling interest shareholder of a subsidiary		**250**	–
Proceeds from issue of guaranteed exchangeable notes		**–**	77,800
Proceeds from issue of new shares upon exercise of share options		**–**	704
Repayment to a director		**–**	(81)
Share issue expenses		**–**	(1,387)
Repayment of bank and other borrowings		**(81,672)**	(132,800)
Repayment of guaranteed exchangeable notes		**(77,800)**	–
Interest paid		**(8,865)**	(8,832)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(80,387)**	186,419
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**33,131**	(24)
Effect of foreign exchange rate changes		**19**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**44,747**	44,771
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by Bank balances and cash – general (Note 33)		**77,897**	44,747

1. GENERAL

China Fortune Financial Group Limited (the "**Company**"), formerly known as China Fortune Group Limited and renamed as China Fortune Financial Group Limited on 22 August 2011, was incorporated in the 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, margin financing, provision of corporate finance services and money lending services.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standards ("**HKAS**") 24 (Revised)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(International Financial Reporting Interpretations Committee) – Interpretation ("**Int**") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as explained below, the adoption of the above new and revised HKFRSs has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 (as part of improvements to HKFRSs issued in 2010) clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

Amendments to HKFRS 3 Business Combination (as part of improvements of HKFRSs issued in 2010)

As part of Improvements to HKFRSs issued in 2010, HKFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other standards.

Such amendments to HKFRS 3 have been applied in the current year and have affected the accounting for the acquisition of subsidiaries in the current year. The non-controlling interests were measured at their acquisition-date fair value at the date of acquisition of those subsidiaries.

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

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

Amendments to HKFRS	Annual Improvement 2009-2011 Cycle[2]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangement[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 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.

The Directors of the Company (the "Directors") anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosure regarding transfers of financial assets in the future.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss ("**FVTPL**")) 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 presented 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 presented in profit or loss.

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

HKFRS 9 Financial Instruments (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors are in the process of making an assessment of the potential impact of HKFRS 9 and the directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and Hong Kong (Standing Interpretation Committee) ("**HK(SIC)**") – Int 12 Consolidation – Special Purpose Entities. 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) the 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.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joints arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same times.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendment to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the time basis.

The amendments to HKAS 1 are effective for the annual period beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors 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 and of the Company.

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 goods.

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

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 in full 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.

Changes in the Group's ownership interests in existing subsidiaries

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

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

When the Group loses control of subsidiaries, it (i) derecognises the assets and liabilities of the subsidiaries at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiaries at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried 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 Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earning as specified by applicable HKFRSs). 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 jointly-controlled entity.

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

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 groups of cash-generating units) that is expected to benefits from the synergies of the combination.

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. For goodwill rising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill (Continued)

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.

(d) Interests in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Jointly-controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities.

The results and assets and liabilities of jointly-controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly-controlled entities. When the Group's share of losses of a jointly-controlled entity equals or exceeds its interest in that jointly-controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly-controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly-controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly-controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly-controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in jointly-controlled entities (Continued)

Jointly-controlled entities (Continued)

When a group entity transacts with its jointly-controlled entity, profits and losses resulting from the transactions with the jointly-controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly-controlled entity that are not related to the Group.

(e) Non-current assets held for sale

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

(f) 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 brokerage business of securities and futures dealing are recognised on a trade date basis when the services are provided.

Insurance brokerage/commission income/consultancy service income/underwriting commission income/placing commission income/securities handling income/advisory and other corporate finance service 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 recognised when it is probable that the economic benefits will flow to the Group and amount of income can be measured reliably. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

(g) Plant and equipment

Plant and equipment held for use in the supply of services, or for administrative purpose are stated in the consolidated statement of financial position 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. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 disposal or retirement of an item of plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit and loss.

(h) Club membership debentures and other non-current assets

Club membership debentures represent unlisted membership debentures and other non-current assets represent the deposits paid to respective regulatory bodies in carrying out its principal activities. The club membership debentures and other non-current assets are stated at cost less any accumulated impairment loss.

(i) Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

(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.

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 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 and interests in jointly-controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at 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.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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. Intangible assets with indefinite useful lives that are acquired separately 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 recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

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

(o) Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank – general and cash on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, as defined above.

(p) 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)

(p) 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 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 provided internally on that basis; or

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

***Financial assets** (Continued)*

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

– 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.

Financial assets at FVTPL are measured at fair value, with change in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including, trade receivables, loan receivables, amounts due from jointly-controlled entities, amount due from an investee company, other receivables and deposits, investment deposits, amount due from a non-controlling interest shareholder of a subsidiary and bank and cash balances – trust and general) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, 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 considered to be 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment loss on financial assets (Continued)

- 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, assets that are assessed not to be impaired individually are, in addition, 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, the amount of the impairment loss recognised is 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 asset's 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, loan receivables and amount due from an investee company, 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 trade and other receivable, loan receivables and amount due from an investee company are considered uncollectible, they are 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)

(p) Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial 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 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 as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Upon redemption of the financial liabilities at FVTPL, difference between the fair value at the redemption date and the redemption consideration will be recognised directly in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, and bank and other borrowings) 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 in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. 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 loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes 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 loan notes 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 loan notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

Upon redemption of the convertible bonds, the redemption consideration will be allocated to the liability component and equity component using the same allocation basis as when the convertible bonds were originally issued.

Differences between the fair value and the carrying amount of the liability component will be recognised in the consolidated statement of comprehensive income. The difference between the redemption consideration and the fair value of the equity component will be included in equity (convertible loan notes equity reserve) and released to accumulated losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Equity instruments

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

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises and associated liability. 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 collateralized 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 and accumulated in equity is recognised in profit or loss.

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

(q) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Equity settled share-based payment transactions

Share options granted to directors and employees of the Company after 7 November 2002 and vested on or 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 recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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.

(s) Share warrants granted to consultants

Share warrants were issued to the financial consultants of the Company 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.

When the share warrants are exercised, the amount previously recognised in share warrants reserve will be transferred to share premium.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 and intangible 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a 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 and loan receivables

The policy for impairment loss in respect of trade and loan receivables 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.

As at 31 March 2012, the carrying amount of trade receivables is approximately HK$210,405,000 (2011: HK$331,887,000), net of accumulated impairment losses of approximately HK$72,989,000 (2011: HK$16,495,000).

As at 31 March 2012, the carrying amount of loan receivables is approximately HK$55,270,000 (2011: HK$150,420,000) and no impairment loss has been recognised (2011: nil).

Impairment loss recognised in respect of other receivables, deposits and prepayments

The policy for impairment losses in respect of other receivables, deposits and prepayments 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.

As at 31 March 2012, the carrying amount of other receivables, deposits and prepayments is approximately HK$6,566,000 (2011: HK$26,782,000), net of accumulated impairment losses of approximately HK$4,416,000 (2011: HK$4,431,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Useful lives and impairment assessment of plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Plant and equipment are evaluated for possible impairment on a specific assets basis or in groups of similar assets, as applicable. This process requires management's evaluation of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the written-down is charged against the consolidated statement of comprehensive income. As at 31 March 2012, the carrying amount of plant and equipment is approximately HK$11,588,000 (2011: HK$9,258,000) and no impairment loss has been recognised as at 31 March 2012 (2011: nil).

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. As at 31 March 2012, the carrying amount of intangible asset is nil (2011: HK$2,741,000), net of accumulated impairment losses of approximately HK$2,261,000 (2011: HK$15,333,000).

Impairment of jointly-controlled entities

The Group determines whether the interest in jointly-controlled entities is impaired required an estimation of the future cash flows expected to arise and the expected dividend yield from the jointly-controlled entities in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise. As at 31 March 2012, the carrying amount of interest in jointly-controlled entities is approximately HK$8,238,000 (2011: nil) and no impairment loss has been recognised (2011: nil).

Impairment of club membership debentures

The Group determines the impairment loss if circumstances indicate the carrying value of an asset may not be recoverable. The recoverable amount is the greater of the fair value less costs to sell and the value in use. The Group considers information from current prices in the second-hand market in determining the fair value of such assets and uses assumptions that are mainly based on current market conditions. As at 31 March 2012, the carrying amount of club membership debentures is approximately HK$6,610,000 (2011: nil) and no impairment loss has been recognised (2011: nil).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of available-for-sale financial assets

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

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

As at 31 March 2012, the carrying amount of available-for-sale financial assets is approximately HK$1,448,000 (2011: HK$1,948,000), net of accumulated impairment losses of HK$1,754,000 (2011: HK$1,254,000).

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

The fair values of the convertible instruments and convertible loan 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. The carrying amount of convertible instruments designated as financial assets at fair value through profit or loss is approximately HK$60,317,000 as at 31 March 2012 (2011: HK$2,106,000). The carrying amount of convertible loan notes is approximately HK$71,470,000 as at 31 March 2012 (2011: HK$86,231,000).

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. The carrying amounts of derivative asset component of convertible loan notes and derivative liability component of convertible loan notes are approximately HK$4,924,000 and HK$7,359,000 respectively (2011: carrying amounts of derivative liability component of convertible loan notes is approximately HK$60,221,000).

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 bank and other borrowings disclosed in note 35, guaranteed exchangeable notes disclosed in note 36 and convertible loan notes disclosed in note 39, cash and cash equivalents and equity attributable to the 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 with each class of capital, 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 2012 and 2011.

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 HKSF(FR)R adopted by the SFC. Under the HKSF(FR)R, these Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by HKSF(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

	2012 HK$'000	2011 HK$'000
Financial assets		
– Loans and receivables (including cash and cash equivalents)	**411,377**	737,938
– Available-for-sale financial assets	**1,448**	1,948
– FVTPL		
• Financial assets held for trading	**14,915**	37,079
• Financial assets designated at FVTPL	**65,241**	2,106
Financial liabilities		
– Financial liabilities designated at FVTPL	**7,359**	141,390
– At amortised cost	**169,265**	336,858

Financial liabilities designated as at FVTPL

	2012 HK$'000	2011 HK$'000
Difference between carrying amount and maturity amount		
At fair value	–	81,169
Amount payable at maturity	–	92,661
	–	(11,492)

(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 receivables, other receivables and deposits, investment deposits, amount due from a non-controlling shareholder of a subsidiary, amount due from an investee company, amounts due from jointly-controlled entities, bank balances and cash – trust and general, bank and other borrowings, trade payables, other payables and accruals, guaranteed exchangeable notes, convertible loan notes and derivative component of 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

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, other receivables, bank balances, convertible instruments designated as financial assets at FVTPL, investment deposits, trade payables, other payables and accruals and guaranteed exchangeable notes. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("**RMB**")	**15,353**	70,219	**–**	1,080
United States Dollars ("**USD**")	**84,206**	13,596	**–**	83,776

More than 80% (2011: 80%) and all (2011: more than 80%) of financial assets and financial liabilities, respectively, of the Group are denominated in HK$ and the remaining is denominated in RMB and USD as at 31 March 2012. 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, the foreign currency sensitivity does not give additional value in view of insignificant movement in the USD/HK$ exchange rates.

If a 5% (2011: 5%) increase/decrease in HK$ against the RMB and all other variables were held constant, the Group's loss after tax for the year would decrease/increase by approximately HK$641,000 (2011: HK$2,887,000). The sensitivity analysis includes only outstanding foreign currency denominated monetary items.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan receivables and other borrowings at fixed rates and such fixed rate assets and liabilities were disclosed in the respective notes. 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Interest rate risk *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Assets		
– Trade receivables		
– cash clients	**4,473**	14,593
– margin clients	**203,283**	289,106
– Bank balances and cash – general	**69,136**	44,747
Liabilities		
– Bank and other borrowings	**3,000**	–

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 2012, if the interest rate of bank and other borrowings and trade receivables from cash and margin clients had been 100 (2011: 100) basis point higher/lower, the Group's loss for the year would decrease / increase by approximately HK$2,287,000 (2011: decrease / increase in loss for the year of approximately HK$2,876,000).

Equity price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 5% (2011:5%) higher/lower:

- Loss for the year ended 31 March 2012 would decrease/increase by approximately HK$623,000 as a result of the changes in fair value of investments held for trading. (2011: decrease/increase by approximately HK$1,548,000).

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

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

The 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
2012					
Non-derivative financial liabilities					
Trade payables, other payables and accruals	**43,467**	**–**	**–**	**43,467**	**43,467**
Bank and other borrowings	**55,084**	**–**	**–**	**55,084**	**54,328**
Convertible loan notes	**32,000**	**–**	**54,923**	**86,923**	**71,470**
	130,551	**–**	**54,923**	**185,474**	**169,265**
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)

Credit risk

As at 31 March 2012, 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 the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors 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% (2011: 100%) of the total trade receivable as at 31 March 2012.

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

The fair value of convertible loan notes is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

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

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2012				
Financial assets at FVTPL				
– Listed securities listed in Hong Kong	**14,915**	**–**	**–**	**14,915**
– Derivative component of convertible loan notes	**–**	**4,924**	**–**	**4,924**
– Convertible instruments designated at financial assets at fair value through profit or loss	**–**	**–**	**60,317**	**60,317**
	14,915	**4,924**	**60,317**	**80,156**
Financial liabilities at FVTPL				
– Derivative component of convertible loan notes	–	7,359	–	7,359
As at 31 March 2011				
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 component of convertible loan notes	–	60,221	–	60,221
	–	141,390	–	141,390

There were no transfers between Levels 1 and 2 during the both years.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

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

	Convertible instruments designated at financial assets at fair value through profit or loss
	HK$'000
Reconciliation of Level 3 fair value measurements of financial assets	
At 1 April 2010	–
Total loss in profit or loss	(144)
Purchases	2,250
At 31 March 2011 and 1 April 2011	2,106
Total loss in profit or loss	(289)
Purchases	58,500
At 31 March 2012	60,317

Total loss for the year included in the consolidated income statement and shown as "Change in fair value of financial assets designated as fair value through profit or loss".

7. TURNOVER

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

Continuing operations	2012 HK$'000	2011 HK$'000
		(Restated)
Dividend income	**219**	–
Income from securities and insurance brokerage business	**14,616**	32,688
Interest income from money lending business	**7,841**	–
Margin interest income from securities brokerage business	**33,395**	32,289
Net (loss) gain on trading of listed securities	**(13,916)**	7,524
Other consultancy and subscription service income	**2,871**	2,810
Service income from corporate finance	**2,328**	–
	47,354	75,311

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 and insurance brokerage and margin financing in Hong Kong.

2) The proprietary trading segment engages in proprietary trading of securities.

3) The corporate finance segment engages in the provision of corporate finance services in Hong Kong.

4) The money lending segment engages in the provision of money lending services in Hong Kong.

5) Others.

Although proprietary trading segment does not meet the quantitative threshold required by HKFRS 8 "Operating Segments", 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.

Corporate finance and money lending segments are the new operating segments for the year ended 31 March 2012.

Other operation includes consultancy service income only.

8. SEGMENT INFORMATION (Continued)

The Directors considered the money lending transaction incurred during the year ended 31 March 2011 did not constitute an operating segment as no internal resources was allocated to and no regular assessment was performed for this segment. Therefore, the result of money lending transaction was classified in unallocated segment in the segment information for the year ended 31 March 2011.

The futures brokerage business, which was included in broking and margin financing segment, was discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more details in note 16.

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 2012
Continuing operations

	Broking and margin financing HK$'000	Proprietary trading HK$'000	Corporate finance HK$'000	Money lending HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Turnover							
External turnover	48,011	(13,697)	2,328	7,841	2,871	–	47,354
Inter-segment turnover (note)	–	–	–	–	3,519	(3,519)	–
	48,011	(13,697)	2,328	7,841	6,390	(3,519)	47,354
Segment (loss) profit	(40,719)	(13,697)	(738)	5,841	(5,946)	–	(55,259)
Unallocated operating income							18,919
Unallocated operating expense							(67,746)
Change in fair value of financial assets designated as fair value through profit or loss							(289)
Gain on early redemption of guaranteed exchangeable notes							8,836
Change in fair value of guaranteed exchangeable notes							(5,467)
Change in fair value of derivative component of convertible loan notes							52,400
Loss on disposal of subsidiaries							(1,054)
Share of profits of jointly-controlled entities							157
Finance costs							(14,506)
Loss before tax							(64,009)

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 March 2011
Continuing operations

	Broking and margin financing HK$'000	Proprietary trading HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Turnover					
External turnover	64,977	7,524	2,810	–	75,311
Inter-segment turnover (note)	–	–	636	(636)	–
	64,977	7,524	3,446	(636)	75,311
Segment profit (loss)	15,807	6,061	(472)	–	21,396
Unallocated operating income					4,334
Unallocated operating expense					(39,697)
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 tax					(31,958)

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit attributable to each segment without allocation of administration expenses, change in fair value of financial assets designated as fair value through profit or loss, gain on early redemption of guaranteed exchangeable notes, change in fair value of guaranteed exchangeable notes, change in fair value of derivative component of convertible loan notes, (loss) gain on disposal of subsidiaries, share of profits of jointly-controlled entities, finance costs, interest income from financial institutions and investment deposits, and income tax expense. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets	2012 HK$'000	2011 HK$'000
Broking and margin financing	**248,080**	451,303
Proprietary trading	**14,915**	39,712
Corporate finance	**6,165**	–
Money lending	**55,270**	–
Others	**344**	144
Total segment assets	**324,774**	491,159
Assets relating to discontinued operations	**108,512**	–
Unallocated	**199,693**	303,463
Consolidated total assets	**632,979**	794,622
Segment liabilities		
Broking and margin financing	**38,009**	201,063
Proprietary trading	**–**	345
Corporate finance	**142**	–
Money lending	**–**	–
Others	**27**	206
Total segment liabilities	**38,178**	201,614
Liabilities relating to discontinued operations	**94,976**	–
Unallocated	**139,203**	280,255
Consolidated total liabilities	**272,357**	481,869

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

- all assets are allocated to reportable segments other than plant and equipment for general operations, club membership debentures, interests in jointly-controlled entities, available-for-sale financial assets, amounts due from jointly-controlled entities, amount due from an investee company, certain other receivables, deposits and prepayments, derivative component of convertible loan notes, convertible instruments designated at financial assets at fair value through profit or loss, investment deposits and bank balances and cash – general; and

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

Other segment information

For the year ended 31 March 2012

Continuing operations	Broking and margin financing HK$'000	Proprietary trading HK$'000	Corporate finance HK$'000	Money lending HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment (loss) profit or segment assets							
Additions to non-current assets (note)	111	–	3,994	–	–	25,286	29,391
Depreciation	854	–	24	–	13	3,846	4,737
Write-off of							
– loan receivables	–	–	–	2,000	–	–	2,000
– other receivables	–	–	–	–	–	987	987
Impairment losses on							
– Available-for-sales financial assets	–	–	–	–	–	500	500
– Intangible assets	–	–	–	–	–	2,261	2,261
– Amount due from an investee company	–	–	–	–	–	5,042	5,042
– Trade receivables	62,967	–	–	–	–	–	62,967
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment (loss) profit or segment assets							
Interests in jointly-controlled entities	–	–	–	–	–	8,238	8,238
Interest income from							
– financial institutions	(12)	–	–	–	–	(726)	(738)
– investment deposits	–	–	–	–	–	(8,594)	(8,594)
Change in fair value of financial assets designated as fair value through profit or loss	–	–	–	–	–	289	289
Gain on early redemption of guaranteed exchangeable notes	–	–	–	–	–	(8,836)	(8,836)
Change in fair value of guaranteed exchangeable notes	–	–	–	–	–	5,467	5,467
Change in fair value of derivative component of convertible loan notes	–	–	–	–	–	(52,400)	(52,400)
Loss on disposal of subsidiaries	–	–	–	–	–	1,054	1,054
Share of profits of jointly-controlled entities	–	–	–	–	–	(157)	(157)
Finance costs	2,447	–	–	–	–	12,059	14,506
Income tax expense	168	–	–	–	–	284	452

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2011

Continuing operations	Broking and margin financing HK$'000	Proprietary trading HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit (loss) or segment assets					
Additions to non-current assets (note)	610	5	–	3,128	3,743
Depreciation	757	5	573	946	2,281
Impairment losses on					
– Available-for-sales financial assets	–	–	–	1,254	1,254
– Trade receivables	9,985	–	–	–	9,985
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit (loss) or segment assets					
Interest income from financial institutions and loan receivables	(3)	–	–	(559)	(562)
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 costs	5,972	–	–	16,369	22,341
Income tax expense	382	–	–	557	939

Note: Non-current assets exclude financial instruments.

Information about major customers

For both years ended 31 March 2012 and 2011, the Group did not have any customer contributed more than 10% of the Group's aggregate revenue.

Geographical information

The Group's operations are mainly located and carried out in Hong Kong. Accordingly, no geographical information has been presented.

9. OTHER REVENUE

Continuing operations	2012 HK$'000	2011 HK$'000
		(Restated)
Profit guarantee compensation (note i)	–	1,000
Handling charges	**248**	203
Interest income from financial institutions	**738**	20
Interest income from loan receivables	–	542
Interest income from investment deposits (note ii)	**8,594**	–
Net exchange gain	**6,096**	18
Commission income	**1,200**	–
Referral income	**3,055**	–
Reversal of impairment loss recognised in respect of trade receivables	–	62
Write back of long outstanding trade payables, other payables and accruals	–	409
Sub-letting income from rental premises	–	1,181
Sundry income	**188**	157
	20,119	3,592

Notes:

i) The profit guarantee compensation for the year ended 31 March 2011 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.

ii) The interest income was arising from the investment deposits for the acquisition of 49% equity interest in a brokerage services company in the People's Republic of China (the "**PRC**"). The acquisition was terminated during the year ended 31 March 2012 and the interest income was recognised starting from the date of first payment of the investment deposits. Details of the investment deposits were set out in note 31.

10. IMPAIRMENT LOSSES

Continuing operations	2012 HK$'000	2011 HK$'000
		(Restated)
Impairment loss on:		
Intangible assets	**2,261**	–
Available-for-sales financial assets	**500**	1,254
Trade receivables	**62,967**	9,985
Amount due from an investee company	**5,042**	–
	70,770	11,239

11. FINANCE COSTS

Continuing operations	2012 HK$'000	2011 HK$'000
Interest on:		
Bank overdrafts	**–**	27
Bank and other borrowings	**8,865**	8,805
Imputed interest expenses on convertible loan notes (Note 39)	**5,641**	13,509
	14,506	22,341

12. LOSS BEFORE TAX

Loss before tax from continuing operations has been arrived at after charging:

	2012 HK$'000	2011 HK$'000
		(Restated)
Auditor's remuneration	**750**	720
Depreciation of plant and equipment	**4,737**	2,281
Total staff costs:		
– directors' remuneration (note 14)	**12,392**	3,743
– salaries and allowance	**28,206**	23,512
– retirement benefit scheme contributions (excluding directors)	**659**	882
	41,257	28,137
Loss on written off of plant and equipment	**291**	69
Write off of other receivables	**987**	–
Write off of loan receivables	**2,000**	–
Operating lease in respect of rented premises	**17,611**	9,434

13. INCOME TAX EXPENSE

Continuing operations	2012 HK$'000	2011 HK$'000
		(Restated)
Current taxation		
Hong Kong Profits Tax		
– Provision for the year	**258**	863
– Under-provision in prior years	**194**	76
	452	939

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during the both years.

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

	2012 HK$'000	2011 HK$'000
		(Restated)
Loss before tax from continuing operations	**(64,009)**	(31,958)
Tax at domestic income tax rate	**(10,562)**	(6,034)
Tax effect of expenses not deductible for tax purpose	**6,490**	4,221
Tax effect of income not taxable for tax purpose	**(12,975)**	(1,600)
Tax effect on share of profits of jointly-controlled entities	**(26)**	–
Tax effect of tax losses not recognised	**17,331**	4,276
Under-provision in prior years	**194**	76
Tax for the year	**452**	**939**

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 HK$'000	Salaries, allowances and other benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2012				
Executive directors:				
ZHANG Min[1]	475	6,518	10	7,003
NG Cheuk Fan Keith	120	1,060	12	1,192
YEUNG Kwok Leung[2]	100	1,468	11	1,579
HON Chun Yu	153	678	12	843
XIA Yingyan[3]	143	678	9	830
Non-executive directors:				
WONG Kam Fat Tony	360	–	–	360
WU Ling[4]	105	–	–	105
Independent non-executive directors:				
LAM Ka Wai Graham	160	–	–	160
NG Kay Kwok	160	–	–	160
TAM B Ray Billy	160	–	–	160
	1,936	10,402	54	12,392

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 2011				
Executive directors:				
NG Cheuk Fan Keith	130	920	12	1,062
YEUNG Kwok Leung	130	920	12	1,062
HON Chun Yu	643	–	–	643
Non-executive directors:				
ZHANG Min[1]	113	–	–	113
XIA Yingyan[3]	113	–	–	113
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

1 Appointed on 8 December 2010 as non-executive director and re-designated as executive director on 12 April 2011
2 Resigned on 24 February 2012
3 Re-designated as executive director from non-executive director on 5 May 2011
4 Appointed on 16 December 2011

There was no arrangement under which directors waived or agreed to waive any emoluments during the two years ended 31 March 2012 and 2011. 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, two (2011: none) were Directors whose emoluments are set out above. The emoluments of the remaining three (2011: five) highest paid individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and other benefits in kind	**5,493**	4,102
Performance related incentive payments	**–**	5,662
Retirement benefits scheme contributions	**30**	24
	5,523	9,788

The emoluments of the three (2011: five) highest paid employees fall in the following bands:

	Number of individuals	
	2012	2011
Emoluments bands		
HK$1,000,001 to HK$1,500,000	**2**	3
HK$2,500,001 to HK$3,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**–**	1
	3	5

During the two years ended 31 March 2012 and 2011, 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 do not recommend the payment of a final dividend for the two years ended 31 March 2012 and 2011.

16. DISCONTINUED OPERATIONS/ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

On 29 July 2011, Fortune Financial, a subsidiary of the Company, entered into a sales and purchase agreement for the sale of the entire issued share capital in EFL, which was engaged in the future brokerage business and included in broking and margin financing segment, and EFL Group to New Century, an independent third party to the Group, for a consideration of HK$15,888,000.

The disposal was approved by the shareholders of the Company in the extraordinary general meeting held on 9 September 2011. The assets and liabilities attributable to EFL Group, which are expected to be sold within twelve months, have been classified as held for sale and are presented separately in the consolidated statement of financial position (see below). The assets and liabilities attributable to EFL Group were measured at fair value less costs to sell. The net proceed of the disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised. The disposal was subsequently completed on 31 May 2012.

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

	2012 **HK$'000**	2011 HK$'000
Turnover	**26,609**	35,355
Cost of sales and services rendered	**(10,846)**	(12,132)
Gross profit	**15,763**	23,223
Other revenue	**1,699**	3,696
(Loss) gain on disposal of investments held for trading	**(724)**	1,320
Impairment losses	**(724)**	(21,769)
Other operating and administrative expenses	**(21,715)**	(38,168)
Loss before tax from discontinued operations	**(5,701)**	(31,698)
Income tax expense	**–**	(920)
Loss for the year	**(5,701)**	(32,618)
Loss for the year from discontinued operations include the following:		
Depreciation of plant and equipment	**548**	760
Amortisation of intangible assets	**–**	4,000
Impairment loss on trade receivables	**724**	6,436
Impairment loss on intangible asset	**–**	15,333
Reversal of impairment loss on recognised in respect of trade receivables	**(824)**	–
Operating lease in respect of rented premises	**5,611**	5,602
Staff costs	**6,912**	11,322
Retirement benefit scheme contributions	**290**	519

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

The cash flows of the discontinued operations are as follows:

	2012 HK$'000	2011 HK$'000
Net cash outflow from operating activities	**(2,999)**	(13,923)
Net cash inflow (outflow) from investing activities	**38**	(2,713)
Net cash inflow from financing activities	**3,911**	14,920
Total cash inflow (outflow)	**950**	(1,716)

The major classes of assets and liabilities of the EFL Group as at 31 March 2012, which have been presented separately in the consolidated statement of financial position, were as follows:

	HK$'000
Plant and equipment	2,373
Intangible assets	480
Other non-current assets	1,500
Trade receivables	32,632
Other receivables, deposits and prepayments	2,622
Bank balances and cash – trust	60,259
Bank balances and cash – general (note 33)	8,646
Total assets reclassified as held for sale	108,512
Trade payables, other payables and accruals	94,346
Tax payable	630
Total liabilities associated with assets classified held for sale	94,976

17. LOSS PER SHARE

For continuing and discontinued operations

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

Loss	2012 HK$'000	2011 HK$'000
Loss for the purpose of basic loss per share	**(69,602)**	(65,370)
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible loan notes	**(52,862)**	–
Loss for the purpose of diluted loss per share	**(122,464)**	(65,370)

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 loss per share as follows:

Number of shares	2012 '000	2011 '000
Weighted average number of ordinary shares for the purpose of computation of basic loss per share	**3,037,686**	1,849,914
Effect of dilutive potential ordinary shares:		
Options to subscribe for the optional convertible loan notes (Note)	**800,000**	–
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	**3,837,686**	1,849,914

Note: Balance represents the option 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. The details of the option are set out in note 39.

The calculation of diluted loss per share did not assume the exercise of these options for the year ended 31 March 2011 as their exercise would result in a decrease in loss per share.

17. LOSS PER SHARE (Continued)

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:

	2012 HK$'000	2011 HK$'000
Loss for the year attributable to owners of the Company	**(69,602)**	(65,370)
Less: loss for the year from discontinuing operations (note 16)	**5,701**	32,618
Loss for the year for the purpose of computation of basic loss per share from continuing operations	**(63,901)**	(32,752)
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible loan notes	**(52,862)**	–
Loss for the purpose of diluted loss per share	**(116,763)**	(32,752)

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

From discontinued operations

Basic loss per share for the discontinued operations for the year ended 31 March 2012 is HK$0.19 cents (2011: HK$1.76 cents) per share, based on the loss for the year from the discontinued operations attributable to the owners of the Company of approximately HK$5,701,000 (2011: HK$32,618,000) and the denominators detailed above for basic loss per share for the year ended 31 March 2012.

Diluted loss per share for the discontinued operations for the year ended 31 March 2012 is HK$0.15 cents (2011: HK$1.76 cents) per share, based on the loss for the year from the discontinued operations attributable to the owners of the Company of approximately HK$5,701,000 (2011: HK$32,618,000) and the denominators detailed above for diluted loss per share for the year ended 31 March 2012.

The calculation of diluted loss per share for the discontinued operations does not assume the conversion of the convertible loan notes and the exercise of the Company's warrants since their conversion or exercise would result in a decrease in loss per share.

Calculation of diluted loss per share

The calculation of diluted loss per share for the two years ended 31 March 2012 and 2011 does not assume the conversion of the convertible loan notes and the exercise of the Company's warrants since their conversion or exercise would result in a decrease in loss per share.

18. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 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 and 1 April 2011	3,464	180	4,575	7,475	15,694
Additions through acquisition of a subsidiary (note 43)	60	140	60	–	260
Reclassified as assets held for sale	(1,731)	(21)	(3,192)	–	(4,944)
Additions	7,764	1,447	408	1,174	10,793
Disposal of subsidiaries	(1,379)	(15)	(643)	–	(2,037)
Written off	(180)	(208)	(79)	–	(467)
At 31 March 2012	7,998	1,523	1,129	8,649	19,299
ACCUMULATED DEPRECIATION					
At 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 and 1 April 2011	1,383	101	2,229	2,723	6,436
Reclassified as assets held for sale	(1,117)	(6)	(1,448)	–	(2,571)
Provided for the year	2,394	288	508	2,095	5,285
Eliminated on disposal of subsidiaries	(663)	(9)	(591)	–	(1,263)
Eliminated on written off	(52)	(76)	(48)	–	(176)
At 31 March 2012	1,945	298	650	4,818	7,711
CARRYING VALUES					
At 31 March 2012	6,053	1,225	479	3,831	11,588
At 31 March 2011	2,081	79	2,346	4,752	9,258

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 HK$'000	Trading rights HK$'000	Trading software HK$'000	Total HK$'000
COST				
At 1 April 2010	–	480	20,000	20,480
Additions through acquisition of a subsidiary	2,261	–	–	2,261
At 31 March 2011 and 1 April 2011	2,261	480	20,000	22,741
Reclassified as assets held for sale	–	(480)	–	(480)
At 31 March 2012	2,261	–	20,000	22,261
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2010	–	–	667	667
Provided for the year	–	–	4,000	4,000
Impairment losses	–	–	15,333	15,333
At 31 March 2011 and 1 April 2011	–	–	20,000	20,000
Impairment losses	2,261	–	–	2,261
At 31 March 2012	2,261	–	20,000	22,261
CARRYING VALUES				
At 31 March 2012	–	–	–	–
At 31 March 2011	2,261	480	–	2,741

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

During the year ended 31 March 2012, the directors of the Company conducted a review of the Group's license right determined that no benefits will be generated from the license right in the foreseeable future which resulted from the unstable financial market in these years. The asset management business is not yet to be commenced during the year ended 31 March 2012 and the Directors expect that the business will not be started in the near future, therefore, the carrying amount of the license right is fully impaired during the year ended 31 March 2012. The impairment loss of approximately HK$2,261,000 has been recognised during the year ended 31 March 2012.

Trading right

The trading right has been reclassified as assets held for sale as at 31 March 2012 as it will be disposed through the disposal of EFL Group as stated in note 16. The Directors consider that the recoverable amount of the trading right exceeds it carrying value as at 31 March 2012, no impairment loss has been recognised.

19. INTANGIBLE ASSETS (Continued)

Impairment review on the intangible assets (Continued)

***Trading right** (Continued)*

The recoverable amount of the trading right as at 31 March 2011 had been determined based on the value in use calculation. That calculation used 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 included budgeted income from future brokerage, staff cost and other operating expenses, such estimation was based on managements' expectation for the future brokerage business. Management believed 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 Directors 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 the number of users subscribed will become nil. No benefits will be generated for the trading software in the foreseeable future and accordingly, the carrying amount of the trading software was fully impaired. The impairment loss of approximately HK$15,333,000 had been recognised during the year ended 31 March 2011.

20. CLUB MEMBERSHIP DEBENTURES

	2012	2011
	HK$'000	HK$'000
Unlisted club membership debentures	**6,610**	–

21. OTHER NON-CURRENT ASSETS

	2012 HK$'000	2011 HK$'000
At cost:		
Deposits paid to the Stock Exchange		
– Compensation fund deposits	**50**	50
– Fidelity fund deposits	**50**	50
– Stamp duty deposits	**75**	150
– Membership deposits	**–**	1,500
– Statutory deposit	**–**	782
Deposits paid to Hong Kong Securities Clearing Company Limited		
– Guarantee fund contribution	**50**	50
– Admission fees	**50**	50
	275	2,632

22. GOODWILL

	HK$'000
Cost	
At 1 April 2010 and 31 March 2011	–
Arising on acquisition of a subsidiary (note 43)	3,994
At 31 March 2012	3,994
Carrying value	
At 31 March 2012	3,994
At 31 March 2011	–

During the year, the Group acquired Fortune Financial Capital Limited ("**Fortune Financial Capital**") (formerly known as "Athens Capital Limited") with goodwill of approximately HK$3,994,000. Details are set out in note 43.

22. GOODWILL (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill is allocated to the corporate finance segment. No impairment loss has been recognised as at 31 March 2012 (2011: nil).

Impairment testing on goodwill

For the purposes of impairment testing, goodwill had been allocated to one (2011: nil) CGU. The carrying amount of goodwill as at the end of the reporting period allocated to the unit is as follows:

	2012 HK$'000	2011 HK$'000
Corporate finance segment	**3,994**	–

Corporate finance segment

The recoverable amount of corporate finance operation is determined from value-in-use calculations using cash flow projections based on financial budget approved by the management covering 5-year period, and the discount rate applied to the cash flow projections is 13.95%. Zero growth rate is applied to extrapolate the cash flows beyond five year period. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation related to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin. This estimation is determined based on the unit's past performance and management's expectation for the market development.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$'000	2011 HK$'000
Unlisted securities		
Equity securities, at cost less impairment loss	**1,448**	1,948

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 2012, certain of the Group's available-for-sale unlisted equity securities are determined to be impaired based on the financial information of the investee companies, accordingly impairment loss of approximately HK$500,000 (2011: HK$1,254,000) had been recognised for the year ended 31 March 2012. The Directors are of the opinion that the impairment made is based on their best estimation with reference to the circumstances of the investee companies.

24. INTERESTS IN JOINTLY-CONTROLLED ENTITIES/AMOUNT DUE FROM JOINTLY-CONTROLLED ENTITIES

	2012 HK$'000	2011 HK$'000
Cost of unlisted investments in jointly-controlled entities	**8,077**	–
Share of post-acquisition profits and other comprehensive income	**161**	–
	8,238	–
Amounts due from jointly-controlled entities	**32,308**	–

The amounts due from jointly-controlled entities are unsecured, interest-free and repayable on demand.

Details of the jointly-controlled entities as at 31 March 2012 are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Class of shares held	Percentage of nominal value of issued capital held by the Group 2012	2011	Principal activity
Measure Up International Limited ("Measure Up")	Limited liability company	British Virgin Islands (the "BVI")	Ordinary shares	35%	–	Investment holding
Lucky Target Property Agency Limited	Limited liability company	Hong Kong	Ordinary shares	35%	–	Investment holding
融通融資租賃（上海）有限公司	Limited liability company	PRC	Registered share capital	35%	–	Provision of finance lease service

The above unlisted investments in jointly-controlled entities represents the 35% equity interest in Measure Up and its subsidiaries (collectively referred to as "**Measure Up Group**"). On 21 December 2011, the Group had entered into a sale and purchase agreement with Ever Step Holdings Limited ("**Ever Step**"), an independent third party, to acquire 35% of interests in Measure Up and an interest-free on-demand loan of approximately HK$32,308,000 due from Measure Up to Ever Step at a consideration of approximately HK$40,385,000. The consideration was satisfied by the issue of a convertible loan notes which will be due on 20 December 2014 with an aggregate principal amount of approximately HK$40,385,000. Further details are set out in the Company's announcement dated 21 December 2011.

The Group holds 35% of the ordinary shares of Measure Up and controls 35% of the voting power in the general meeting. Under a shareholders' agreement, the major financing and operational decisions of Measure Up should be unanimously approved by the Group and other venturer. Therefore, Measure Up Group are regarded as jointly-controlled entities of the Group.

24. INTERESTS IN JOINTLY-CONTROLLED ENTITIES/AMOUNT DUE FROM JOINTLY-CONTROLLED ENTITIES (Continued)

Included in the cost of investment in jointly-controlled entities is goodwill of approximately HK$7,044,000 (2011: nil) arising on acquisition of jointly-controlled entities during the year ended 31 March 2012.

The summary financial information in respect of the Group's interests in the jointly-controlled entities which are accounted for using the equity method is set out below:

	2012 HK$'000	2011 HK$'000
Current assets	**129,133**	–
Non-current assets	**24,760**	–
Current liabilities	**(150,482)**	–

	2012 HK$'000	2011 HK$'000
Income recognised in profit or loss	**1,565**	–
Expenses recognised in profit or loss	**1,117**	–
Other comprehensive income	**11**	–

25. INVESTMENTS HELD FOR TRADING

	2012 HK$'000	2011 HK$'000
Listed investments		
– Equity securities listed in Hong Kong	**14,915**	37,079

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

26. TRADE RECEIVABLES

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

	2012 HK$'000	2011 HK$'000
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	**6,680**	14,643
– margin clients	**273,965**	301,469
Trade receivables from the business of dealing in futures		
– clearing houses and cash clients	**–**	32,138
Trade receivables from other businesses	**2,749**	132
	283,394	348,382
Less: Impairment loss recognised	**(72,989)**	(16,495)
	210,405	331,887

As at 31 March 2012, no trade receivables balance (2011: HK$13,187,000) is 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 were one day after trade 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 consider that the ageing analysis does not give additional value in the view of the nature of business 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:

	2012 HK$'000	2011 HK$'000
Less than 30 days	**2,375**	28,595
31 to 60 days	**305**	1,499
61 to 90 days	**60**	715
Over 90 days	**4,382**	9,581
	7,122	40,390

26. TRADE RECEIVABLES (Continued)

Trade receivables to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$513,837,000 (2011: HK$1,127,563,000) 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 2012, included in the total trade receivables, approximately HK$207,756,000 (2011: HK$299,699,000) were interest bearing whereas approximately HK$2,649,000 (2011: HK$32,188,000) 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$6,532,000 (2011: HK$14,989,000) which were past due as at the reporting date for which the Group has not provided for impairment loss.

At 31 March 2012 and 2011, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	2012 **HK$'000**	2011 HK$'000
Less than 30 days	**2,323**	3,194
31 to 60 days	**305**	1,499
61 to 90 days	**60**	715
Over 90 days	**3,844**	9,581
	6,532	14,989

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$111,356,000 over these balances (2011: HK$224,390,000).

26. TRADE RECEIVABLES (Continued)

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

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**16,495**	136
Reclassified as assets held for sale	**(6,373)**	–
Reversal of impairment loss recognised	**(824)**	(62)
Recognised impairment loss during the year	**63,691**	16,421
Balance at end of the year	**72,989**	16,495

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$72,989,000 (2011: HK$16,495,000) were individually impaired trade debtors who were in financial difficulties. The Group does not hold any collateral over these balances.

27. LOAN RECEIVABLES

	2012 HK$'000	2011 HK$'000
Secured loan receivables	**10,016**	150,542
Unsecured loan receivables	**45,254**	–
	55,270	150,542

The secured loan receivables are secured by the equity shares of an unlisted company (2011: transferrable convertible bonds issued by a listed company) and bear interest at a fixed interest rate at 12% (2011: 12%) per annum.

The unsecured loan receivables bear interest at a rate ranging from 20% to 25% per annum. All the unsecured receivables are guaranteed by independent third parties as at 31 March 2012.

27. LOAN RECEIVABLES (Continued)

The following table illustrated the ageing analysis, based on the loan drawn down date, of the loan receivables outstanding at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
Less than 30 days	**45,254**	150,542
Over 90 days	**10,016**	–
	55,270	150,542

There was no loan receivables neither past due nor impaired as at 31 March 2012 (2011: nil).

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

During the year ended 31 March 2012, loan receivables of HK$2,000,000 (2011: nil) is written off due to the Directors considered that the recoverability of the receivables is remote.

28. AMOUNT DUE FROM AN INVESTEE COMPANY

	2012	2011
	HK$'000	HK$'000
Amount due from an investee company	**5,042**	5,004
Less: impairment losses recognised	**(5,042)**	–
	–	5,004

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

During the year ended 31 March 2012, the directors of the Company review the financial positions of the investee company and consider that the recoverability of the balance is uncertain. Accordingly, impairment loss of approximately HK$5,042,000 has been recognised for the year ended 31 March 2012.

Movements in the impairment loss of amount due from an investee company in aggregate during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Balance at beginning of the year	–	–
Recognised impairment loss during the year	**5,042**	–
Balance at end of the year	**5,042**	–

29. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012 HK$'000	2011 HK$'000
Other receivables	**5,114**	15,368
Deposits paid	**5,087**	4,225
Consideration receivable for disposal of investment held (Note)	**–**	10,700
Prepayments	**781**	920
	10,982	31,213
Less: Impairment losses recognised	**(4,416)**	(4,431)
	6,566	26,782
Less: amount shown under non-current portion	**(3,345)**	–
	3,221	26,782

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

As at 31 March 2012, amount of approximately HK$1,998,000 (2011: 2,972,000) was denominated in RMB.

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

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**4,431**	4,477
Amounts written off as uncollectible	**–**	(46)
Disposal of subsidiaries	**(15)**	–
Balance at end of the year	**4,416**	4,431

Included in impairment losses of other receivables are individually impaired who were in financial difficulties with an aggregate balance of approximately HK$4,416,000 (2011: HK$4,431,000). During the year ended 31 March 2012, other receivable of approximately HK$987,000 is written off due to the Directors consider that the recoverability of the receivables is remote.

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

	2012 HK$'000	2011 HK$'000
Financial assets designated as FVTPL		
Convertible bond (note a)	–	2,106
Exchangeable note (note b)	**60,317**	–
	60,317	2,106

Notes:

a) 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 Black-Scholes 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. Chater Capital failed to redeem the convertible bond on the maturity date and was in the progress of winding up as at 31 March 2012. The directors of the Company are of the opinion that the fair value of the convertible bond was nil and a fair value loss of approximately HK$2,106,000 was recorded for the year ended 31 March 2012.

30. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

b) The amount represents exchangeable note ("**Exchangeable Note**") with principal amount of US$7,500,000 (equivalent to approximately HK$58,500,000) issued by Jovial Lead Limited ("**Jovial Lead**"), which incorporated in the BVI, on 15 November 2011. Jovial Lead is a wholly-owned subsidiary of Credit China Holdings Limited, a public limited company with its shares listed on the Growth Enterprise Market of the Stock Exchange ("**GEM**"). The Exchangeable Note bear 12% interest per annum with maturity on 15 November 2012. The Group can exercise the conversion option to exchange it into ordinary shares of Media Eagle Limited ("**Media Eagle**"), which incorporated in Hong Kong, an 85% owned subsidiary of Jovial Lead, at any time from the date of issue up to the maturity date. The conversion price is US$300,000 per share (subject to adjustments). Upon the Group fully exercise the conversion option of the Exchangeable Note, the Group will hold 25% equity interest in Media Eagle. Unless previously redeemed or converted, Jovial Lead shall redeem the Exchangeable Note at 100% of the principal amount at maturity date.

From the day immediately after six months from the issue date up to the date falling ten business days prior to the maturity date, Jovial Lead may redeem all the outstanding Exchangeable Note at a redemption price equal to the applicable early redemption amount predetermined in the Exchangeable Bond agreement, which is an amount equal to the principal amount of the Exchangeable Bond plus any accrued and unpaid interest. The Group can request Jovial Lead to early redeem the Exchangeable Note after six months from the issue date up to the date falling ten business days prior to the maturity date, at a redemption price equal to the applicable early redemption amount predetermined in the Exchangeable Note agreement.

The Group has designated the Exchangeable Note as financial asset at FVTPL.

A fair value gain of approximately HK$1,817,000 was recorded for the year ended 31 March 2012.

The fair value of the convertible instrument was valued by Roma Appraisal Limited using the Black-Scholes option pricing model. The inputs into the model of Exchangeable Note as at 31 March 2012 are as follows:

	31 March 2012
Spot price	US$2,907
Conversion price	US$300,000
Volatility	21.19%
Dividend yield	0%
Option life (years)	0.59
Risk free rate	0.14%

31. INVESTMENT DEPOSIT

	2012 HK$'000	2011 HK$'000
Deposit paid for acquisition of an associate in the PRC engaged in brokerage services for dealing in financial and commodity futures (Note b)	–	66,619

Notes:

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

(b) On 9 December 2008, Fortune Financial (Holdings) Limited ("**Fortune Financial**"), a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum with an independent third party, Shenzhen Huade Petrochemical Company Limited ("**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.

31. INVESTMENT DEPOSIT (Continued)

Notes (Continued):

(b) As the conditions as stipulated under the share transfer agreement were not fulfilled before the long-stop date (as extended to 30 June 2011) of the acquisition, the Directors consider that it would not be the best interests of the Group to further extend the completion of the acquisition. On 26 June 2011, Fortune Financial entered into an agreement, to terminate the acquisition of 49% equity interest in New Era. Details are set out in the announcement dated 26 June 2011. Approximately HK$26,619,000 (equivalent to approximately RMB23,507,000) of the balance was settled by cash and the remaining balance of approximately HK$40,000,000 (equivalent to approximately RMB35,323,000) was settled through the assignment of debt from Shenzhen Huade to two independent third parties during the year ended 31 March 2012.

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

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

33. BANK BALANCES AND CASH

Bank balances and cash – trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities and futures brokerage and financing business. The Group has classified the clients' monies as bank balances and cash – trust under the current assets of the consolidated statement of financial position and recognised the corresponding account payables to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is restricted to use the clients' monies to settle its own obligations.

Bank balances and cash – general

	2012 **HK$'000**	2011 HK$'000
Bank balances and cash – general	**69,251**	44,747
Add: Bank balances and cash – general classified as assets held for sale (note 16)	**8,646**	–
Cash and cash equivalents	**77,897**	44,747

Bank balances and cash held by the Group amounting to approximately HK$77,897,000 (2011: HK$44,747,000) 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% (2011: 0.01% to 0.05%) per annum.

As at 31 March 2012, the Group had bank balances of approximately HK$23,889,000 (2011: HK$409,000) and HK$13,355,000 (2011: HK$628,000) which were originally denominated in USD and RMB respectively.

34. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2012 HK$'000	2011 HK$'000
Trade payables from the business of dealing in securities:		
– margin and cash clients	**35,929**	70,530
Trade payables from the business of dealing in future contracts	**–**	62,826
Other payables and accruals	**7,538**	18,271
	43,467	151,627

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.

All the other payables and accruals were denominated in HK$ as at 31 March 2012. As at 31 March 2011, included in the other payables and accruals, amount of approximately HK$1,080,000 and HK$3,607,000 was denominated in RMB and USD respectively.

35. BANK AND OTHER BORROWINGS

	2012 HK$'000	2011 HK$'000
Unsecured bank borrowings repayable within 1 year	**3,000**	–
Unsecured other borrowings repayable within 1 year	**51,328**	99,000
	54,328	**99,000**

All borrowings are denominated in HK$.

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

	2012 HK$'000	2011 HK$'000
Fixed-rate borrowings	**51,328**	99,000
Variable-rate borrowings	**3,000**	–
	54,328	**99,000**

The ranges of effective interest rates (which are also equal to contracted interest rates) on the bank and other borrowings are as follows:

	Year ended 31/03/2012	Year ended 31/03/2011
Effective interest rate:		
Fixed-rate borrowings	**8% – 10%**	7% – 10%
Variable-rate borrowings (note)	**3.6%**	N/A

Note: Such borrowings are subject to variable interest rate at Hong Kong Interbank Offered Rate plus 3.5%.

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 GEM of the Stock Exchange at 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 as at 31 March 2011.

The Guaranteed Exchangeable Notes have been designated as financial liabilities at FVTPL on initial recognition. The fair value of the Guaranteed Exchangeable Note 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.

On 19 May 2011 and 27 July 2011, the Subscriber requested Fortune Financial to early redeem the Guaranteed Exchangeable Notes of US$2,000,000 and US$8,000,000 respectively and Fortune Financial had fully redeemed the Guaranteed Exchangeable Notes as at 31 March 2012. The fair value of the Guaranteed Exchangeable Note at the date of redemption was valued based on valuation performed by Roma Appraisal Limited determined using binomial option pricing models. The early redemption gave rise to gain on early redemption of the Guaranteed Exchangeable Notes of approximately HK$8,836,000.

36. GUARANTEED EXCHANGEABLE NOTES (Continued)

The significant inputs to the models are as follows:

	27 July 2011	19 May 2011	31 March 2011	30 July 2010
Spot price	HK$0.078	HK$0.125	HK$0.141	HK$0.345
Exchange price	HK$0.620	HK$0.620	HK$0.620	HK$0.620
Risk free rate	0.237%	0.57%	0.847%	0.703%
Expected option period	1.997	2.186	2.321	2.989
Expected volatility	70.42%	70.85%	60.59%	67.31%

The movement of the Guaranteed Exchangeable Note 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 and 1 April 2011	81,169
Change in fair value	5,467
Fair value at the early redemption date	86,636
Cash paid on early redemption during the year	(77,800)
Gain on early redemption of guaranteed exchangeable notes	(8,836)
At 31 March 2012	–

37. PROVISION

	Provision for litigation HK$'000
At 1 April 2010, 31 March 2011 and 1 April 2011	940
Eliminated upon disposal of a subsidiary	(940)
At 31 March 2012	–

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 of the Company 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

At 31 March 2012, the Group had unused tax losses of approximately HK$228,469,000 (2011: HK$123,433,000) available for offset against future profits. Tax losses may be carried forward indefinitely.

Tax losses of HK$11,105,000 (2011: HK$6,124,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. The remaining tax losses of approximately HK$217,364,000 (2011: HK$117,309,000) do not expire under current tax legislation.

Under the New Enterprises Income Tax Law of the PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "**Post-2008 Earnings**"). As at 31 March 2012 and 2011, deferred taxation has not been provided for in the consolidation financial statements in respect of temporary difference attributable to the Post-2008 Earnings. The Group did not have any Post-2008 earnings as at 31 March 2012 and 2011.

39. 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. Unless previously converted, all 2012 Convertible Note B outstanding on maturity date shall be redeemed by the Company at its principal amount outstanding in HK$. The effective interest rate of the liability components is 30%. 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. The 2012 Convertible Notes B of HK$4,000,000, HK$4,000,000 and HK$4,000,000 was converted into 40,000,000, 40,000,000 and 40,000,000 ordinary shares on 4 May 2011, 20 February 2012 and 22 February 2012 respectively. As at 31 March 2012, there was no 2012 Convertible Loan Notes B remained outstanding (2011: HK$12,000,000) and no new ordinary shares of the Company can be converted by the holders (2011: 120,000,000 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. Unless previously converted, all 2012 Convertible Note C outstanding on maturity date shall be redeemed by the Company at its principal amount outstanding in HK$. The effective interest rate of the liability component is 8.00%. As at 31 March 2012, the 2012 Convertible Note C with an aggregate principal amount HK$32,000,000 remained outstanding (2011: HK$32,000,000) and it can be converted by the holders into 200,000,000 new ordinary shares of the Company (2011: 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 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$0.16 each. The notes were denominated in HK$. Unless previously converted, all 2012 Convertible Note D and 2012 Convertible Note E outstanding on maturity date shall be redeemed by the Company at its principal amount outstanding 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**").

39. 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 EFL'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. As stated in note 9, the profit guarantee for the profit of ESL was waived during the year ended 31 March 2011.

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 shortfall against the profit guarantee for the profit of EFL and no profit or loss was recognised during the year ended 31 March 2011.

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. The 2012 Convertible Notes D of HK$5,880,000 was converted into 36,750,000 ordinary shares on 24 May 2011. As at 31 March 2012, no 2012 Convertible Note D remained outstanding (2011: HK$5,880,000) and no new ordinary shares of the Company can be converted (2011: 36,750,000 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. The 2012 Convertible Notes E of HK$2,450,000 was converted into 15,313,000 ordinary shares on 11 May 2011. As at 31 March 2012, no 2012 Convertible Note E was outstanding (2011: HK$2,450,000) and no new ordinary shares of the Company can be converted (2011: 15,313,000 new ordinary shares of HK$0.10 each at a conversion price of HK$0.16 per share).

39. 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. Unless previously converted, all 2012 Convertible Note F outstanding on maturity date shall be redeemed by the Company at its principal outstanding amount in HK$. 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$9,760,000 was converted into 61,000,000 ordinary shares on 1 February 2011. The 2012 Convertible Note F of HK$51,200,000 was converted into 320,000,000 ordinary shares on 7 April 2011. As at 31 March 2012, no 2012 Convertible Note F remained outstanding (2011: HK$51,200,000) and no new ordinary shares of the Company can be converted (2011: 320,000,000 new ordinary shares of HK$0.10 each at a conversion price of HK$0.16 per share).

On 21 December 2011, the Company issued a 12% coupon convertible notes which were due on 28 December 2014 with an aggregate principal amount of approximately HK$40,385,000 (the "**2014 Convertible Note G**") in respect of the acquisition of the 35% equity interest in Measure Up. The 2014 Convertible Note G can convert up to an aggregate 201,925,000 ordinary shares of the Company respectively at conversion price of HK$0.20 per share (subject to adjustment). The notes were denominated in HK$ and entitled the holder to convert them into ordinary shares of the Company at any times between the date of issue of the notes and the maturity date. Unless previously converted, all 2014 Convertible Note G outstanding on maturity date shall be redeemed by the Company at its principal amount outstanding plus accrued interest in HK$. The effective interest rate of the liability components is 13.81%. From the day immediately after the expiry of one year from the issue date, the Company may redeem all the outstanding 2014 Convertible Note G in whole at the outstanding principal amount and accrued interest. No 2014 Convertible Note G was converted into ordinary shares of the Company during the year ended 31 March 2012. As at 31 March 2012, the 2014 Convertible Note G with an aggregate principal amount of approximately HK$40,385,000 remained outstanding (2011: nil) and it can be converted by the holder into 201,925,000 new ordinary shares of the Company (2011: nil) of HK$0.10 each at a conversion price of HK$0.20 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.

39. CONVERTIBLE LOAN NOTES (Continued)

The convertible loan notes holders shall not convert the convertible loan notes and the Company shall not issue any ordinary shares if, upon such issue, the convertible loan notes holders 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.

Except for 2012 Convertible Note F and 2014 Convertible Note G, each of the convertible notes above is bifurcated into a liability component and an equity component. 2012 Convertible Note F and 2014 Convertible Note G contain 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	2012 Convertible Note C	2012 Convertible Note D	2012 Convertible Note E	2012 Convertible Note F	2014 Convertible Note G	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liability components							
At 1 April 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 and 1 April 2011	9,488	29,089	5,284	2,202	40,168	–	86,231
Issue of convertible notes during the year	–	–	–	–	–	38,685	38,685
Transfer to share capital and share premium upon conversion to ordinary shares	(11,247)	–	(5,344)	(2,221)	(40,275)	–	(59,087)
Imputed interest expenses (note 11)	1,759	2,335	60	19	107	1,361	5,641
At 31 March 2012	–	31,424	–	–	–	40,046	71,470

39. 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$'000	2014 Convertible Note G HK$'000	Total HK$'000
Equity components							
At 1 April 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 and 1 April 2011	6,350	6,597	1,214	505	1,174	–	15,840
Issue of convertible notes during the year	–	–	–	–	–	7,086	7,086
Transfer to share capital and share premium upon conversion to ordinary shares	(6,350)	–	(1,214)	(505)	(1,174)	–	(9,243)
At 31 March 2012	–	6,597	–	–	–	7,086	13,683

	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$'000	2014 Convertible Note G HK$'000	Total HK$'000
As at 31 March 2012							
Analysed for reporting purposes as							
Non-current liability	–	–	–	–	–	40,046	40,046
Current liability	–	31,424	–	–	–	–	31,424
	–	31,424	–	–	–	40,046	71,470
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	29,289	5,284	2,202	40,168	–	86,231

39. CONVERTIBLE LOAN NOTES (Continued)

	2012 Convertible Note F HK$'000	2014 Convertible Note G HK$'000	Total HK$'000
Derivative components			
At 1 April 2010	63,084	–	63,084
Change in fair value	(19,758)	–	(19,758)
At date of extension	43,326	–	43,326
Change in fair value	16,895	–	16,895
At 31 March 2011 and 1 April 2011	60,221	–	60,221
Change in fair value	(35,837)	–	(35,837)
At date of extension	24,384	–	24,384
Issue of convertible loan notes during the year	–	(5,386)	(5,386)
Change in fair value	(17,025)	462	(16,563)
At 31 March 2012	7,359	(4,924)	2,435

The fair value of the derivative components, representing the Further Subscription Option entitled to the holder of 2012 Convertible Note F and the early redemption right of 2014 Convertible Note G entitled to the Company, was estimated at the issuance and extension of option and the end of each reporting period using Black-Scholes 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 2012, at the date of extension of option life on 6 September 2011, 31 March 2011 and at the date of issue on 6 September 2010 based on valuations by Roma Appraisal Limited, an independent valuer, determined using Black-Scholes option pricing models.

39. CONVERTIBLE LOAN NOTES (Continued)

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. On 6 September 2011, the Company entered into an agreement with the note holder to further extend the option life from 24 months to 36 months. The decrease in the value arising from the aforementioned extension was approximately HK$35,837,000, 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 2012	6 September 2011	31 March 2011	6 September 2010
Spot price	**HK$0.130**	HK$0.200	HK$0.350	HK$0.410
Risk free rate	**0.242%**	0.165%	0.242%	0.289%
Expected option period	**0.456 year**	1 year	0.436 year	1 year
Expected volatility	**16.58%**	15.91%	6.22%	11.80%

The derivative component of 2014 Convertible Note G was revalued at 28 December 2011, at the date of issue of 2014 Convertible Note G and 31 March 2012 based on valuations by Roma Appraisal Limited, an independent valuer, determined using Black-Scholes option pricing models. The significant inputs to the models were as follows:

	31 March 2012	29 December 2011
Aggregate principal amount	**HK$40,385,000**	HK$40,385,000
Exercise price	**HK$40,385,000**	HK$40,385,000
Risk free rate	**0.299%**	0.568%
Expected volatility	**17.964%**	18.282%
Expected option period	**2.745 year**	3.000 year

40. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 1 April 2010, 31 March 2011, 1 April 2011 and 31 March 2012	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2010	1,400,670,000	140,067
Issue of shares (note a)	780,534,000	78,053
Conversion of convertible loan notes (note b)	328,819,000	32,882
Exercise of share options (note 42)	2,000,000	200
At 31 March 2011 and 1 April 2011	2,512,023,000	251,202
Issue of shares (note c)	150,000,000	15,000
Conversion of convertible loan notes (note d)	492,063,000	49,207
Exercise of share warrants (note 41)	12,000,000	1,200
At 31 March 2012	3,166,086,000	316,609

Notes:

(a) 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$0.2 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.

40. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) On 10 November 2010 and 11 November 2010, the 2012 Convertible Note 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$0.1 each at the conversion prices of HK$0.10 and HK$0.10 respectively.

On 11 November 2010, the 2012 Convertible Note D note 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 Note 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 Note F note 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.

(c) Pursuant to a conditional placing agreement dated 12 May 2011 between the Company and Fortune (HK) Securities Limited ("**F(HK)SL**"), a wholly-owned subsidiary of the Company, F(HK)SL agreed to place 150,000,000 new shares at the price of HK$0.33 per placing share. These new shares were issued under the general mandate granted at the annual general meeting of the Company held on 15 June 2011. All conditions of the placing agreement have been fulfilled and completion of the placing agreement took place on 14 July 2011. Details of the transaction were set out in the Company's announcement dated 14 July 2011.

(d) On 7 April 2011, the 2012 Convertible Note F note holders converted HK$51,200,000 into 320,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 4 May 2011, the 2012 Convertible Note B note holders converted HK$4,000,000 into 40,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10.

On 11 May 2011, the 2012 Convertible Note E note holders converted HK$2,450,000 into 15,313,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 24 May 2011, the 2012 Convertible Note D note holders converted HK$5,880,000 into 36,750,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 20 February 2012 and 22 February 2012, the 2012 Convertible Note B note holders converted HK$4,000,000 and HK$4,000,000 into 40,000,000 and 40,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10 and HK$0.10 respectively.

All new shares issued during the year ended 31 March 2012 and 2011 ranked pari passu in all respects with other shares in issue.

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 Limited ("**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 exercised the warrants to subscribe for 12,000,000 shares at an exercise price of HK$0.1 per share for the year ended 31 March 2012 (2011: nil).

42. SHARE-BASED PAYMENT TRANSACTIONS

The 2003 Scheme

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

Under the terms of the 2003 Scheme, the Directors may, at their discretion, grant options to the full-time employees, including Directors 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 2003 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 2003 Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 1% of the shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

At 31 March 2011, no options had been granted and remained outstanding under the 2003 Scheme of the Company.

On 19 August 2011, the 2003 Scheme was terminated. Details are set out in the announcement dated 18 July 2011.

42. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

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

		Number of share options		
Option Type	**Date of grant**	**Outstanding at 1 April 2010**	**Exercised during the year**	**Outstanding at 31 March 2011, 1 April 2011 and 31 March 2012**
2006A	2 August 2005	2,000,000	(2,000,000)	–
Weighted average exercise price		HK$0.3520	HK$0.3520	N/A

Note: At 31 March 2012 and 2011, no share options were held by the Directors.

In respect of the share option exercised during the year ended 31 March 2011, the weighted average share price at the dates of exercise is HK$0.352 and the weighted average closing price of shares immediately before the date on which options were exercised is HK$0.50. No share option was exercised during the year ended 31 March 2012.

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

The 2012 Scheme

On 19 August 2011, the 2003 Scheme was early terminated and the Company adopted a new share option scheme (the "**2012 Scheme**") pursuant to a resolution passes at the extraordinary general meeting held on the same date. Further details are set out in the announcement of the Company dated 18 July 2011. The 2012 Scheme is valid and effective for a period of 10 years after the date of adoption.

Under the terms of the 2012 Scheme, the Directors may, at their discretion, grant options to the employees, business associate, 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 (the "**Eligible Participants**"), to subscribe for shares of the Company for recognition of their contribution as incentives or rewards. Options granted must be taken up within 28 days of the date of grant.

42. SHARE–BASED PAYMENT TRANSACTIONS (Continued)

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 10 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.

Share options granted to Directors, chief executive or substantial shareholders is subject to the approval of the Independent Non-Executive Directors ("**INEDs**"). In addition, any grant of share options to a substantial shareholder or an INED, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2012 Scheme and any other schemes of the Company must not exceed 30% of the shares 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 2012 Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any Eligible Participants may not exceed 1% of the shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

At 31 March 2012, no (2011: nil) options had been granted and remained outstanding under the 2012 Scheme of the Company.

43. ACQUISITION OF SUBSIDIARIES

(a) On 19 October 2011, the Group entered into a conditional sale and purchase agreement to acquire 80% of the issued share capital of Fortune Financial Capital at a cash consideration of approximately HK$7,535,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$3,994,000. Fortune Financial Capital held a license right under Securities and Futures Commission and engaged in provision of corporate finance service in Hong Kong. Fortune Financial Capital was acquired so as to expand the Group's business into corporate finance field. The acquisition was completed on 11 November 2011.

The fair value of net assets and liabilities acquired in the transactions are as follows:

	Fair value HK$'000
Plant and equipment	260
Trade receivables	1,850
Other receivables, deposits and prepayments	195
Bank balances and cash – general	2,639
Other payables and accruals	(518)
Net assets	4,426

	HK$'000
Consideration transferred	7,535
Non-controlling interests (20% of Fortune Financial Capital)	885
Less: net asset acquired	(4,426)
Goodwill arising on acquisition	3,994

The non-controlling interest (20%) in Fortune Financial Capital recognised at the acquisition date was measured by reference to the share of the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date which amounted to HK$885,000.

The trade receivables acquired with a fair value of HK$1,850,000 had gross contractual amounts of HK$1,850,000. No estimated uncollectible contractual cash flows were expected at acquisition date.

Goodwill arising on acquisition of Fortune Financial Capital is carried at cost and is presented separately in the consolidated statement of financial position. The goodwill is attributable to the industry expertise as well as sustainable and profitable business model of the acquired business.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

43. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

Net cash outflow arising on acquisition:

	HK$'000
Consideration paid in cash	7,535
Less: cash and cash equivalent balances acquired	(2,639)
	4,896

Acquisition-related costs amounting to HK$281,000 have been excluded from the consideration transferred and have been recognised as other operating and administrative expense in the current year.

Included in the loss attributable to the owners of the Group for the year ended 31 March 2012 is loss of HK$743,000 attributable to Fortune Financial Capital. Revenue of the Group for the year ended 31 March 2012 included HK$2,328,000 contributed by Fortune Financial Capital.

Had the acquisition of Fortune Financial Capital been effected on 1 April 2011, the revenue of the Group for the year ended 31 March 2012 would have been HK50,487,000, and loss for the year would have been HK$71,807,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is intended to be a projection of future results.

In determining the proforma revenue and profit of the Group had Fortune Financial Capital been acquired at the beginning of the current year, the Directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

43. ACQUISITION OF SUBSIDIARIES (Continued)

(b) On 9 September 2010, the Group acquired the entire interests in Fortune Asset Management Limited (formerly known as "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 and liabilities through a subsidiary:	
Bank balances and cash – general acquired	14
Cash paid	(2,600)
	(2,586)

44. DISPOSAL OF SUBSIDIARIES

(a) On 9 September 2011, the Group disposed of its 100% interests in General Win International Limited and its subsidiary (the "**General Win Group**") and an interest-free on-demand loan of approximately HK$41,411,000 due to the Group ("**General Win Loan**") at a consideration of HK$3 to an independent third party.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Plant and equipment	774
Other receivables, deposits and prepayments	1,302
Bank balances and cash – general	347
General Win Loan	(41,411)
Other payables and accrued charges	(429)
Provision	(940)
Net liabilities disposed of	(40,357)

Loss on disposal of a subsidiaries:

Consideration received	–
Net liabilities disposed of	40,357
Assignment of General Win Loan	(41,411)
Loss on disposal of subsidiaries	(1,054)

Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Bank balances and cash – general disposed of	347

The disposed subsidiaries contributed approximately cash outflow of approximately HK$3,546,000 in respect of operating activities for the year ended 31 March 2012.

44. DISPOSAL OF SUBSIDIARIES (Continued)

(b) 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 inflow 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.

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:

	2012 HK$'000	2011 HK$'000
Brokerage commission received from directors	**62**	61
Interest received/receivables from directors	**321**	291

(ii) Compensation of key management personnel

All Directors were considered to be the key management personnel of the Group as at 31 March 2012 and 2011. The remuneration of Directors during the year is as follows:

	2012 HK$'000	2011 HK$'000
Short-term benefits	**12,338**	3,719
Post-employment benefits	**54**	24
	12,392	3,743

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 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 statement of comprehensive income when employees have rendered service entitling them to the contributions. 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.

46. RETIREMENT BENEFIT SCHEME (Continued)

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$1,003,000 (2011: HK$1,425,000) represents contributions payable to the schemes by the Group in respect of the year ended 31 March 2012.

47. COMMITMENTS

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

(a) Capital commitments

	2012 HK$'000	2011 HK$'000
Contracted but not provided for		
– acquisition of plant and equipment	–	1,000
– acquisition of equity interest in a subsidiary	**615**	–
	615	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.

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:

	2012 HK$'000	2011 HK$'000
Within one year	**16,694**	11,190
In the second to fifth years, inclusive	**14,615**	15,521
	31,309	26,711

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 2012	Percentage of equity attributable to the Group 2011	Principal activities
F(HK)SL	Hong Kong	HK$155,000,000	**100%**	100%	Provision of securities brokerage and financing services
EFL	Hong Kong	HK$240,000,000	**100%**	100%	Provision of futures brokerage services
Fortune Financial Capital	Hong Kong	HK$5,000,000	**80%**	–	Provision of corporate finance service
Fortune Asset Management Limited	Hong Kong	HK$4,200,000	**100%**	100%	Provision of asset management services
Fortune Financial	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
General Win	Hong Kong	HK$2	**0%**	100%	Trading and investment
King Dynasty Group Limited	BVI	US$1	**100%**	100%	Investment holding
Maincort Investment Limited	BVI	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 2012 and 2011.

(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 9 September 2011, the Group disposed of its 100% interests in General Win. Details refer to Note 44(a)).

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Non-current assets		
Plant and equipment	**1,913**	2,500
Investments in subsidiaries	**780**	–
	2,693	2,500
Current assets		
Other receivables, deposits and prepayments	**576**	224
Amount due from an investee company	**–**	5,004
Derivative component of convertible loan notes	**4,924**	–
Amounts due from subsidiaries (Note (i))	**345,312**	367,494
Bank balances and cash – general	**38,479**	10,728
	389,291	383,450
Current liabilities		
Trade payables, other payables and accruals	**2,647**	1,835
Derivative component of convertible loan notes	**7,359**	60,221
Convertible loan notes	**31,424**	9,488
Amounts due to subsidiaries (Note (i))	**2,120**	4,669
Tax payable	**60**	49
	43,610	76,262
Net current assets	**345,681**	307,188
Total assets less current liabilities	**348,374**	309,688
Capital and reserves		
Share capital	**316,609**	251,202
Share premium	**431,725**	377,550
Share warrants reserve	**–**	552
Convertible loan notes equity reserve	**13,683**	15,840
Contributed surplus (Note (ii))	**80,657**	80,657
Accumulated losses	**(534,346)**	(492,856)
Total equity	**308,328**	232,945
Non-current liability		
Convertible loan notes	**40,046**	76,743
	348,374	309,688

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

Note:

i. The amount(s) due from/to subsidiaries are unsecured, interest-free and repayable on demand except for an amount of approximately HK$10,775,000 arrived interest at 16% per annum.

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.

50. NON-CASH TRANSACTION

As stated in note 24 to the consolidated financial statements, the Group acquired 35% of interests in Measure Up and an interest-free on-demand loan of approximately HK$32,308,000 due from Measure Up to Ever Step at a consideration of approximately HK$40,385,000 by the issue of a convertible loan note which will be due on 20 December 2014 with an aggregate principal amount of approximately HK$40,385,000.

As stated in note 31(b) to the consolidated financial statements, the investment deposit paid to Shenzhen Huade was fully settled during the year ended, of which HK$40,000,000 was settled through the assignment of debt from Shenzhen Huade to two independent third parties. Loan agreements were entered with the two independent third parties and Shenzhen Huade had transferred the funds to the two borrowers on behalf of the Group.

As stated in notes 40(b) and 40(d) to the consolidated financial statements, during the year ended 31 March 2012, convertible loan notes with principal amount of HK$71,530,000 (2011: HK$43,011,000) were converted into 492,063,000 (2011: 328,819,000) ordinary shares at the specific conversion price.

51. EVENT AFTER REPORTING PERIOD

(i) The Group had acquired the remaining 20% of interests of Fortune Financial Capital on 18 May 2012. Fortune Financial Capital is a wholly-owned subsidiary after the acquisition.

(ii) As set out in note 16, the Group entered into a sales and purchase agreement for the sale of the entire issued share capital in EFL Group to New Century, an independent third party to the Group, for a consideration of HK$15,880,000 on 29 July 2011. EFL Group ceased to be the subsidiaries of the Company upon the completion of the subsequent disposal. The gain or loss from the disposal of the EFL Group will be recognised in the consolidated income statement upon the completion of the disposal.

As details in the Company's announcement made on 31 May 2012, all the conditions precedent under the sale and purchase agreement have been fulfilled and the proposed disposal of EFL Group was completed.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
RESULTS					
Turnover	**47,354**	75,311	80,488	10,676	12,355
(Loss) profit before tax	**(64,009)**	(31,958)	(23,664)	15,916	(5,827)
Income tax expense	**(452)**	(939)	(4,491)	(115)	–
(Loss) profit for the year from continuing operations	**(64,461)**	(32,897)	(28,155)	15,801	(5,827)
(Loss) profit for the year from discountinued operations	**(5,701)**	(32,618)	6,732	(88)	–
(Loss) profit before non-controlling interests	**(70,162)**	(65,515)	(21,423)	15,713	(5,827)
Non-controlling interests	**560**	145	(2,288)	511	–
(Loss) profit for the year attributable to owners of the Company	**(69,602)**	(65,370)	(23,711)	16,224	(5,827)
(Loss) earnings per share (HK cents)					
Basic	**(2.3)**	(3.5)	(2.2)	3.2	(1.3)
Diluted	**(3.2)**	(3.5)	(2.2)	3.2	N/A

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**632,979**	794,622	685,112	242,706	79,820
Total liabilities	**(272,357)**	(481,869)	(532,282)	(108,005)	(58,784)
	360,622	312,753	152,830	134,701	21,036
Non-controlling interests	**(720)**	(145)	(165)	(29,781)	–
	359,902	312,608	152,665	104,920	21,036