China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 290)

Website: http://www.290.com.hk

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board (the "Board") of directors (the "Directors") of China Fortune Financial Group Limited (the "Company") announces the condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012 (the "Period") together with the comparative figures for the corresponding period in 2011. The Group's interim results for the Period are unaudited, but have been reviewed by the Company's auditor, SHINEWING (HK) CPA Limited ("SHINEWING") and the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2012

		Six months ended 30 September	
	Notes	**2012** *HK$'000* **(Unaudited)**	2011 *HK$'000* (Unaudited) (Restated)
Continuing operations			
Turnover	*3*	**25,107**	16,656
Cost of securities brokerage and margin financing		**(1,449)**	(2,364)
Other revenue	*5*	**4,614**	4,996
Depreciation		**(2,866)**	(644)
Salaries and allowance		**(20,986)**	(17,296)
Change in fair value of financial assets designated as fair value through profit or loss		**3,716**	–
Change in fair value of derivative component of convertible loan notes		**4,732**	50,443
Gain on early redemption of guaranteed exchangeable notes		**–**	3,369
Loss on disposal of subsidiaries		**–**	(924)
Impairment loss recognised in respect of trade receivables		**(24,936)**	–
Other operating and administrative expenses		**(19,560)**	(26,045)
Share of profits of associates		**759**	–
Share of losses of jointly controlled entities		**(122)**	–
Finance costs	*6*	**(5,741)**	(8,025)

	Notes	Six months ended 30 September **2012** ***HK$'000*** **(Unaudited)**	2011 *HK$'000* (Unaudited) (Restated)
(Loss) profit before tax	*7*	**(36,732)**	20,166
Income tax expense	*8*	**–**	(1,425)
(Loss) profit for the period from continuing operations		**(36,732)**	18,741
Discontinued operation			
Profit (loss) for the period from discontinued operations	*9*	**2,587**	(5,676)
(Loss) profit for the period		**(34,145)**	13,065
Other comprehensive income (expense):			
Share of other comprehensive income of associates		**25**	–
Share of other comprehensive income of jointly controlled entities		**14**	–
Reclassification adjustments for the cumulative gains included in condensed consolidated statements of comprehensive income upon disposal of foreign subsidiaries during the period		**(391)**	–
Exchange differences arising on translation of foreign operations		**374**	19
Other comprehensive income for the period		**22**	19
Total comprehensive (expense) income for the period		**(34,123)**	13,084
(Loss) profit for the period attributable to:			
Owners of the Company		**(33,979)**	13,280
Non-controlling interests		**(166)**	(215)
		(34,145)	13,065
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(33,959)**	13,299
Non-controlling interests		**(164)**	(215)
		(34,123)	13,084
(Loss) earnings per share	*11*	***HK cents***	*HK cents* (Restated)
From continuing and discontinued operations			
Basic		**(1.07)**	0.45
Diluted		**(1.07)**	(0.98)
From continuing operations			
Basic		**(1.15)**	0.64
Diluted		**(1.15)**	(0.83)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2012

	Notes	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Non-current assets			
Plant and equipment		**12,243**	11,588
Intangible assets		**–**	–
Club membership debentures		**6,610**	6,610
Other non-current assets		**230**	275
Goodwill		**3,994**	3,994
Available-for-sale financial assets		**8**	1,448
Interest in associates		**6,414**	–
Interest in jointly controlled entities		**8,130**	8,238
Deposits		**3,345**	3,345
		40,974	35,498
Current assets			
Investments held for trading		**27,804**	14,915
Trade receivables	*12*	**163,379**	210,405
Loan receivables	*13*	**54,794**	55,270
Amounts due from associates		**58,403**	–
Amounts due from jointly controlled entities		**70,000**	32,308
Other receivables, deposits and prepayments		**3,204**	3,221
Convertible instruments designated as financial assets at fair value through profit or loss		**–**	60,317
Derivative component of convertible loan notes		**2,297**	4,924
Amount due from a non-controlling shareholder of a subsidiary		**374**	125
Bank balances and cash – trust		**73,645**	38,233
Bank balances and cash – general		**39,816**	69,251
		493,716	488,969
Assets classified as held for sale		**–**	108,512
		493,716	597,481

	Notes	At 30 September 2012 HK$'000 (Unaudited)	At 31 March 2012 HK$'000 (Audited)
Current liabilities			
Trade payables, other payables and accruals	*14*	**113,238**	43,467
Bank and other borrowings		**52,954**	54,328
Derivative component of convertible loan note		**–**	7,359
Convertible loan notes		**–**	31,424
Tax payable		**720**	757
		166,912	137,335
Liabilities associated with assets held for sale		**–**	94,976
		166,912	232,311
Net current assets		**326,804**	365,170
Total assets less current liabilities		**367,778**	400,668
Capital and reserves			
Share capital	*15*	**316,609**	316,609
Reserves		**8,237**	43,293
Equity attributable to the owners of the Company		**324,846**	359,902
Non-controlling interests		**108**	720
Total equity		**324,954**	360,622
Non-current liability			
Convertible loan notes		**42,824**	40,046
		367,778	400,668

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rule").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

In addition, during the six months ended 30 September 2012, the Group acquired 25% equity interests in Media Eagle Limited ("Media Eagle") and its subsidiaries (collectively referred to as "Media Eagle Group") by conversion of exchangeable note. Upon completion of the conversion, Media Eagle Group is classified as an associate of the Group. The accounting policy of the investments in associates is described below.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the condensed 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 associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognisd only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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 the associate 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 – Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. 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.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standard (the "HKFRSs") issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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

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 HKFRSs	Annual Improvement 2009-2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangement[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
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[3]
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 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

3. TURNOVER

Turnover represents the aggregate net gain (loss) from trading of listed securities, service fee income, interest income and dividend income. An analysis of the Group's turnover for the period is as follows:

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Dividend income	**217**	219
Income from securities and insurance brokerage business	**5,348**	11,541
Interest income from money lending business	**5,187**	4,340
Margin interest income from securities brokerage business	**9,373**	17,525
Net gain (loss) on trading of listed securities	**2,092**	(18,521)
Other consultancy and subscription service income	**830**	1,552
Service income from corporate finance	**2,060**	–
	25,107	16,656

4. 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.

The following is an analysis of the Group's turnover and results from continuing operations by reportable segments:

For the six months ended 30 September 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	14,721	2,309	2,060	5,187	830	–	25,107
Inter-segment turnover *(note)*	8	–	41	–	1,855	(1,904)	–
	14,729	2,309	2,101	5,187	2,685	(1,904)	25,107
Segment (loss) profit	(18,458)	2,207	(3,165)	2,405	(2,945)	–	(19,956)
Unallocated operating income							1,154
Unallocated operating expense							(21,274)
Change in fair value of financial assets designated as fair value through profit or loss							3,716
Change in fair value of derivative component of convertible loan notes							4,732
Share of profits of associates							759
Share of losses of jointly controlled entities							(122)
Finance costs							(5,741)
Loss before tax							(36,732)

For the six months ended 30 September 2011

Continuing operations

	Broking and margin financing *HK$'000*	Proprietary trading *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Turnover						
External turnover	29,066	(18,302)	4,340	1,552	–	16,656
Inter-segment turnover *(note)*	–	–	–	1,778	(1,778)	–
	29,066	(18,302)	4,340	3,330	(1,778)	16,656
Segment profit (loss)	16,949	(18,279)	4,340	(631)	–	2,379
Unallocated operating income						3,643
Unallocated operating expense						(30,719)
Gain on early redemption of guaranteed exchangeable notes						3,369
Change in fair value of derivative component of convertible loan notes						50,443
Loss on disposal of subsidiaries						(924)
Finance costs						(8,025)
Profit before tax						20,166

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

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit attributable to each segment without allocation of administrative 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 derivative component of convertible loan notes, loss on disposal of subsidiaries, share of profits of associates, share of losses of jointly controlled entities, finance costs and interest income from financial institutions. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by reportable and operating segments:

	At 30 September 2012	At 31 March 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment assets		
Broking and margin financing	**238,057**	248,080
Proprietary trading	**27,804**	14,915
Corporate finance	**4,264**	6,165
Money lending	**54,794**	55,270
Others	**684**	344
Total segment assets	**325,603**	324,774
Assets relating to discontinued operations	**–**	108,512
Unallocated	**209,087**	199,693
Consolidated total assets	**534,690**	632,979

All assets are allocated to reportable segments other than plant and equipment for general operations, club membership debentures, interests in associates, interests in jointly controlled entities, available-for-sale financial assets, amounts due from jointly controlled entities and associates, 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 and bank balances and cash – general.

5. OTHER REVENUE

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Commission income	**–**	1,200
Gain on disposal of available-for-sales financial assets	**159**	–
Gain on disposal of plant and equipment	**127**	–
Handling charges	**449**	138
Interest income on financial institutions	**254**	357
Loan arrangement fee income	**245**	–
Net exchange gain	**–**	509
Referral fee income	**–**	2,753
Reversal of impairment loss on trade receivables	**3,295**	–
Sundry income	**85**	39
	4,614	4,996

6. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank and other borrowings-wholly repayable within five years	**2,387**	5,665
Imputed interest expenses on convertible loan notes	**3,354**	2,360
	5,741	8,025

7. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit before tax from continuing operations has been arrived at after charging:		
Continuing operations		
Written off of plant and equipment	**60**	–
Written off of trade receivables	**491**	–
Operating lease in respect of rented premises	**7,686**	9,882
Staff costs, including directors' remuneration	**20,632**	16,816
Retirement benefit scheme contributions	**354**	480

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax		
Hong Kong Profits Tax		
– Provision for the period	**–**	1,425

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the six months ended 30 September 2012 and 2011. No provision for Hong Kong Profits Tax have been made for the six months ended 30 September 2012 as the Group had no assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China (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 six months ended 30 September 2012 and 2011.

9. DISCONTINUED OPERATIONS

On 29 July 2011, Fortune Financial (Holdings) Limited ("Fortune Financial"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement for the sale of the entire issued share capital in Excalibur Future Limited ("EFL") and its subsidiaries (collectively referred to as "EFL Group") which was engaged in the future brokerage business and included in broking and margin financing segment, to New Century Excalibur Holdings Limited ("New Century"), an independent third party to the Group, for a consideration of HK$15,880,000.

The disposal of entire interests in EFL Group was completed on 31 May 2012. The operations of future brokerage business carried out by the EFL Group up to the date of disposal were presented in the condensed consolidated financial statements of the Group as discontinued operations.

The results and cash flows of the discontinued operations included in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows are set out below.

The profit (loss) for the six months ended 30 September 2012 and 2011 is analysed as follows:

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss on the discontinued operation for the period	**(420)**	(5,676)
Gain on disposal of subsidiaries	**3,007**	–
	2,587	(5,676)

	Two months ended 31 May 2012 *HK$'000* (Unaudited)	Six months ended 30 September 2011 *HK$'000* (Unaudited)
Turnover	**7,835**	10,613
Cost of sales and services rendered	**(1,996)**	(4,887)
Gross profit	**5,839**	5,726
Other revenue	**88**	276
(Loss) gain on disposal of investments held for trading	**(269)**	134
Other operating and administrative expenses	**(6,078)**	(11,812)
Loss before tax from discontinued operations	**(420)**	(5,676)
Income tax expense	**–**	–
Loss for the period	**(420)**	(5,676)
Loss for the period from discontinued operations included the following:		
Depreciation	**142**	293
Operating lease in respect of rented premises	**1,425**	3,419
Staff costs	**1,033**	3,613
Retirement benefit scheme contributions	**30**	185
The cash flows of the discontinued operations were as follows:		
Net cash inflow from operating activities	**3,649**	1,689
Net cash inflow from investing activities	**70**	29
Net cash outflow from financing activities	**(3,104)**	(1,571)
Total cash inflow	**615**	147

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors of the Company do not recommend the payment of interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

11. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to the owners of the Company for the purpose of computation of basic (loss) earnings per share	**(33,979)**	13,280
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible loan notes	**–**	(50,443)
Loss for the period attributable to the owners of the Company for the purpose of computation of diluted loss per share	**(33,979)**	(37,163)

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

	At 30 September 2012	At 30 September 2011
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of computation of basic (loss) earnings per share	**3,166,086**	2,980,915
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	**3,166,086**	3,780,915

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.

From continuing and discontinued operations

The calculation of the diluted loss per share for the six months ended 30 September 2012 does not assume the conversion of the convertible loan notes and options to subscribe for the optional convertible loan notes since their conversion would result in a decrease in basic loss per share.

The calculation of the diluted loss per share for the six months ended 30 September 2011 does not assume the conversion of the convertible loan notes and share warrants since their conversion would result in a decrease in diluted loss per share.

From continuing operations

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

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to owners of the Company	**(33,979)**	13,280
Less: profit (loss) for the period from discontinued operations *(Note 9)*	**2,587**	(5,676)
(Loss) profit for the period for the purpose of computation of basic and diluted (loss) earnings per share from continuing operations	**(36,566)**	18,956
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible loan notes	**–**	(50,443)
Loss for the period attributable to owners for the Company for the purpose of computation of diluted loss per share	**(36,566)**	(31,487)

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

The calculation of the diluted loss per share for the six months ended 30 September 2012 does not assume the conversion of the convertible loan notes and options to subscribe for the optional convertible loan notes since their conversion would result in a decrease in basic loss per share.

The calculation of the diluted loss per share for the six months ended 30 September 2011 does not assume the conversion of the convertible loan notes and share warrants since their conversion would result in a decrease in diluted loss per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations for the six months ended 30 September 2012 was HK$0.08 cents per share, based on the profit for the period from the discontinued operations attributable to the owners of the Company of approximately HK$2,587,000 and the denominators detailed above for basic and diluted earnings per share for the six months ended 30 September 2012 and 2011.

Basic and diluted loss per share for the discontinued operations for the six months ended 30 September 2011 was HK$0.19 cents per share, based on the loss for the period from the discontinued operations attributable to the owners of the Company of approximately HK$5,676,000. The calculation of the diluted loss per share for the six months ended 30 September 2011 does not assume the conversion of the convertible loan notes, options to subscribe for the optional convertible loan notes and share warrants since their conversion would result in a decrease in basic loss per share.

12. TRADE RECEIVABLES

	At 30 September 2012 *HK$'000* (Unaudited)	At 31 March 2012 *HK$'000* (Audited)
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	**2,974**	6,680
– margin clients	**254,293**	273,965
Trade receivables from other business	**642**	2,749
	257,909	283,394
Less: Impairment losses recognised	**(94,530)**	(72,989)
	163,379	210,405

The settlement terms of trade receivable arising from the business of dealing in securities are two days after trade date.

The Group allows a credit period of 30 days (31 March 2012: 30 days) to its trade receivables from other business.

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

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

	At 30 September 2012 *HK$'000* (Unaudited)	At 31 March 2012 *HK$'000* (Audited)
Less than 30 days	**918**	2,375
31–60 days	**39**	305
61–90 days	**119**	60
Over 90 days	**1,729**	4,382
	2,805	7,122

Trade receivables in relation to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$483,295,000 (31 March 2012: HK$513,837,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions.

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

	At 30 September 2012 *HK$'000* **(Unaudited)**	At 31 March 2012 *HK$'000* (Audited)
Balance at beginning of the period/year	**72,989**	16,495
Reclassified as assets held for sale	**–**	(6,373)
Amounts written off as uncollectible	**(100)**	–
Reversal of impairment loss recognised	**(3,295)**	(824)
Recognised impairment loss during the period/year	**24,936**	63,691
Balance at end of the period/year	**94,530**	72,989

During the six months ended 30 September 2012, trade receivables of HK$491,000 are written off as the directors consider that the recoverability of the trade receivables are remote.

13. LOAN RECEIVABLES

	At 30 September 2012 *HK$'000* **(Unaudited)**	At 31 March 2012 *HK$'000* (Audited)
Secured loan receivables	**31,605**	10,016
Unsecured loan receivables	**23,189**	45,254
	54,794	55,270

The secured loan receivables are secured by the equity shares of a listed company and an unlisted company and bear interest at a fixed interest rate ranging from 8% to 23% per annum (31 March 2012: 12% per annum).

The unsecured loan receivables bear interest at a rate ranging from 20% to 30% per annum (31 March 2012: 20% to 30% per annum).

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:

	At 30 September 2012 *HK$'000* **(Unaudited)**	At 31 March 2012 *HK$'000* (Audited)
Less than 30 days	**800**	45,254
31–60 days	**13,918**	–
61–90 days	**724**	–
Over 90 days	**39,352**	10,016
	54,794	55,270

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

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2012 *HK$'000* (Unaudited)	At 31 March 2012 *HK$'000* (Audited)
Trade payables from the business dealing in securities – margin and cash clients	**77,839**	35,929
Other payables and accruals	**35,399**	7,538
	113,238	43,467

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

On 30 June 2009, the Company issued zero coupon convertible bonds which were due on 30 June 2012 with an aggregate principal amount of HK$32,000,000. Upon maturity on 30 June 2012, the convertible bonds were not converted and became due for repayment. It was therefrom reclassified as other payable. It has not yet been settled by the Group as at 30 September 2012. The aforesaid amount of HK$32,000,000 is unsecured, repayable on demand and interest-free. The Group is still negotiating the settlement terms with the convertible bonds holder.

15. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2011 (audited), 31 March 2012 (audited) and 30 September 2012 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2011 (audited)	2,512,023,000	251,202
Issue of shares *(Note a)*	150,000,000	15,000
Conversion of convertible loan notes *(Note b)*	492,063,000	49,207
Exercise of share warrants *(Note c)*	12,000,000	1,200
At 31 March 2012 (audited) and 30 September 2012 (unaudited)	3,166,086,000	316,609

Notes:

(a) 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.

(b) On 7 April 2011, the convertible loan notes of the Company with aggregated principal amount of HK$51,200,000 was converted into 320,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 4 May 2011, the convertible loan notes of the Company with aggregated principal amount of HK$4,000,000 was converted into 40,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10.

On 11 May 2011, the convertible loan notes of the Company with aggregated principal amount of HK$2,450,000 was converted into approximately 15,313,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 24 May 2011, the convertible loan notes of the Company with aggregated principal amount of HK$5,880,000 was converted into 36,750,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.16.

On 20 February 2012, the convertible loan notes of the Company with aggregated principal amount of HK$4,000,000 was converted into 40,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10.

On 22 February 2012, the convertible loan notes of the Company with aggregated principal amount of HK$4,000,000 was converted into 40,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10.

(c) Pursuant to a written resolutions 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.

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

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

	At 30 September 2012 *HK$'000* **(Unaudited)**	At 31 March 2012 *HK$'000* (Audited)
Within one year	**13,627**	16,694
In the second to fifth years inclusive	**8,197**	14,615
	21,824	31,309

17. COMPARATIVE

(a) Certain comparative figures have been reclassified to conform to the presentation of the current period and such reclassification has no impact on the Group's (loss) profit for the period ended 30 September 2012 and 2011. In particular, for the purpose of better representation of the Group's activities.

Interest income from money lending business of approximately HK$4,340,000 which had previously been recorded under "Other revenue" in the condensed consolidated financial statement for 2011, was reclassified to "Turnover".

Comparatives have been restated to conform to the presentation of the current period. However, the changes to the comparatives have not affected the condensed consolidated statement of financial position at 31 March 2012.

(b) The diluted loss per share of (i) continuing and discontinued operations and (ii) continuing operations have been restated due to the corrections made on the loss for the purpose of diluted loss per share and the weighted average number of ordinary shares for the purpose of computation of diluted loss per share for the six months ended 30 September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

In the haze of Eurozone sovereign debt crisis, the global financial markets and economic activities experienced a drastic downturn and the Group's principal activities inevitably suffered. However, due to the contributions from the business from corporate finance and proprietary trading, the turnover of the Group's continuing operations increased by 50.74% to approximately HK$25,107,000 for the Period (2011: HK$16,656,000). The increase in our revenue was attributable to the completion of the acquisition of Fortune Financial Capital Limited in October 2011 and capital appreciation of the investment held. Profit of approximately HK$2,587,000 (2011: loss of approximately HK$5,676,000) was recorded from the discontinued operations following the disposal of the entire equity interest in EFL Group on 29 July 2011. Due to the reduction in brokerage commission income and margin interest income from securities brokerage business, decrease in gain in change of fair value of derivative component of convertible loan notes and the impairment of margin loan receivables, the Group's loss attributable to the owners of the Company was approximately HK$33,979,000 for the Period, as compared to profit attributable to the owners of the Company of approximately HK$13,280,000 in the corresponding period in 2011.

The basic loss per share from continuing operations was HK$1.15 cents, as compared with earnings per share of HK$0.64 cents in the corresponding period in 2011, while the overall loss per share for the Period was HK$1.07 cents (2011: earnings per share of HK$0.45 cents).

REVIEW OF OPERATIONS

Broking and margin financing

During the Period, triggered by the unresolved European debt issue and the tightening of monetary policy in China, the market sentiment remained weak although the Hang Seng Index exhibited gradual pick-up. Due to the pessimistic market sentiment, the Group recorded revenue of approximately HK$14,729,000 from brokerage and margin financing business, representing a decrease of 49.33% as compared to the revenue of approximately HK$29,066,000 for the same period in 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.

Proprietary trading

During the Period, all the securities traded were shares listed on the Stock Exchange. This segment recorded net gains on trading of securities of HK$2,092,000 and dividend income of HK$217,000, as compared to net loss on trading of listed securities of HK$18,521,000 and dividend income of HK$219,000 for the same period in 2011.

Corporate finance

The division is licensed under the Securities and Futures Ordinance to provide various corporate financial services. Apart from IPO-related services, the Group offers secondary market financing services, such as placing, right issue and advisory services on various corporate transactions including merger and acquisition.

With the commencement of the new business in corporate finance, the Group continues to allocate more resources to develop the corporate finance division for satisfying the needs of the customers. During the Period, the Group recorded revenue of approximately HK$2,101,000 from the corporate finance division.

Money lending

The performance of money lending business continued to be encouraging. The Group has been benefitting from a continual increase in interest income. During the Period, the Group recorded interest income from money lending of approximately HK$5,187,000 (2011: HK$4,340,000).

Other businesses

During the Period, the Group recorded revenue from other business operations in the areas of financial communication service and other consultancy service of approximately HK$2,685,000, representing a decrease of 19.37% as compared to the revenue of approximately HK$3,330,000 for the same period in 2011. The Group aims to provide our clients with diversified products and services to suit their varying needs.

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

Discontinued operation

The Group disposed of its entire equity interest in the EFL Group to New Century in May 2012. The operation of the future brokerage business carried out by EFL Group up to the date of disposal is presented in the condensed consolidated financial statements of the Group for the Period as discontinued operations.

PROSPECTS

Owing to the global economic downturn and the pressure of inflation, the global investment sentiment remains weak, which in turn makes the PRC stand out as a global economic growth driver. Hong Kong plays an indispensable role as the primary Reminbi offshore centre and domestic outpost for overseas investment which has created abundant opportunities for the Group to diversify its financial business in the PRC and Hong Kong.

The Group has set its goal to be one of the major integrated financial service providers in the Greater China region, particularly targeting at the small-to-medium size capital markets in the PRC and Hong Kong. Capitalising on our strong network and connection nationwide, the Group will enjoy an overall business development.

During the Period, the Group's business has achieved significant progress. Acquisition of Fortune Financial Capital Limited completed at the end of 2011. Fortune Financial Capital Limited is a licensed corporation under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activities and has been approved by the Securities and Futures Commission of Hong Kong to act as the sponsor to listing which assists enterprises to be listed in Hong Kong and provides comprehensive financial advisory services. Through its diversified and comprehensive financial service platform, the Group will further expand its financial service business chain in the Greater China region.

Furthermore, in light of the rapid development of small-to-medium enterprises, the required capital chain is intensive. Under the tightening monetary policy imposed by the PRC government, the banks are unable to meet the demand of huge capital chain requirements from small-to-medium enterprises which leads to an increasing reliance on small loans in the market. In accordance with the data released by the People's Bank of China, as at the end of June 2012, there was a total of 5,267 small loan companies in the PRC with a loan balance of RMB489.259 billion. During a period of six months, there were 985 new small loan companies with an accrued new loans amounted to RMB97.7 billion. The Group has seized such opportunity to enter into the small loan and financial lease industry to explore the emerging financial markets which has achieved the result of recording profit during the Period. The Group will continue to seize the opportunity and step up its development to generate a long-term and stable cash flow through the small loan and financial lease industry.

According to the National Bureau of Statistics of China, there was a year-on-year increase of 7.7% in the PRC's Gross Domestic Product for the first three quarters. Various positive key indicators reflected that the domestic economy was gradually picking up. Looking forward, the Group will further consolidate and perfect its existing business in financial services and continue to seek opportunities for potential investments as well as merger and acquisition as and when appropriate in order to achieve a better return for the shareholders.

CAPITAL STRUCTURE

As at 30 September 2012, the total issued shares capital of the Company was approximately HK$316,609,000, comprising 3,166,085,668 shares of HK$0.10 each.

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 that each of them maintains a liquid capital level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries complied with the liquid capital requirements under the Securities and Futures (Financial Resources) Rules.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

During the Period, the Group mainly financed its operations by cash generated from operations and short-term bank and other borrowings.

As at 30 September 2012, the Group's current assets and current liabilities were approximately HK$493,716,000 (as at 31 March 2012: HK$488,969,000) and approximately HK$166,912,000 (as at 31 March 2012: HK$137,335,000) respectively, while the current ratio was about 2.96 times (as at 31 March 2012: 3.56 times).

As at 30 September 2012, the Group's aggregate cash and cash equivalents amounted to approximately HK$39,816,000 (as at 31 March 2012: HK$69,251,000), representing approximately 8.06% (as at 31 March 2012: approximately 14.16%) of current assets.

The Group had a total bank and other borrowings of approximately HK$52,954,000 as at 30 September 2012 (as at 31 March 2012: approximately HK$54,328,000). Other borrowings are primarily at fixed rates while bank borrowings were primarily at variable rates. All the Group's bank and other borrowings were denominated in Hong Kong 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 for the Group to hedge its liabilities which are also substantially denominated in Hong Kong. During the Period, no financial instruments were used for hedging purposes.

As at 30 September 2012, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 28.78% (as at 31 March 2012: approximately 35.63%). The decrease was mainly due to repayment of loans during the Period.

As at 30 September 2012, the debt ratio, defined as total debts over total assets, was approximately 39.23% (as at 31 March 2012: 43.03%). The decrease was mainly due to the completion of the disposal of EFL Group during the Period.

SIGNIFICANT INVESTMENT

During the year ended 31 March 2012, Gold Kingdom Holdings Limited ("Gold Kingdom"), a wholly-owned subsidiary of the Company, subscribed 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 company with its shares listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Exchange Note bears 12% interest per annum with maturity on 15 November 2012. On 22 August 2012, Gold Kingdom acquired 25% of equity interest in Media Eagle Limited ("Media Eagle") and was assigned with the interest-free on-demand loan of US$7,500,000 owed by Media Eagle upon exercise of the exchangeable rights attaching to the Exchangeable Note. Further details of the Exchangeable Note have been disclosed in the announcement of the Company dated 14 November 2011.

As at 30 September 2012, the Group held financial asset at fair value through profit or loss amounted to approximately HK$27,804,000 (as at 31 March 2012: approximately HK$14,915,000).

MATERIAL ACQUISITION AND DISPOSAL

In July 2011, Fortune Financial, a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with New Century pursuant to which Fortune Financial has agreed to disposal of its entire interest in EFL Group to New Century at the consideration of HK$15,880,000. The transaction constituted a major and connected transactions of the Company, details of which were published in the Company's announcement dated 29 July 2011. The disposal was completed in May 2012.

Other than the acquisition of 25% of equity interest in Media Eagle as disclosed in the section headed "Significant Investment" above and completion of the disposal of EFL Group, there was no other material acquisition or disposal of the Group during the Period.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 30 September 2012 (at 31 March 2012: Nil).

CHARGE ON THE GROUP'S ASSET

No asset of the Group was subject to any charge as at 30 September 2012 (at 31 March 2012: Nil).

RISK MANAGEMENT

The Group has properly put in place credit management policies which cover 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 Period, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

HUMAN RESOURCES

As at 30 September 2012, the Group had 71 employees in total (at 31 March 2012: 128 employees). 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Group is committed to ensuring high standard of corporate governance as the Directors believe that it would improve the effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in the markets and could enhance shareholders' value in consequence. None of the Directors is aware of any matter that would reasonably indicate that the Company being not in compliance with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") – Appendix 14 to the Listing Rules during the Period.

Changes of Directors' information under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information of the Company since the date of the annual report of the Company for the year ended 31 March 2012 are as follows:–

(i) Directors' updated biographical details

Mr. NG Cheuk Fan Keith, an executive Director and the Managing Director of the Company, has resigned as 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 with effect from 3 August 2012.

Mr. XIA Yingyan, an executive Director, has resigned as the manager of Hainan Meilan International Airport Company Limited ("Hainan Meilan") with effect from 1 November 2012. 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.

(ii) Directors' emoluments

The remuneration committee of the Company has reviewed and revised the basic salary of Mr. NG Cheuk Fan Keith ("Mr. Ng"), an executive Director and the Managing Director of the Company, with effect from 1 February 2012 based on the performance, experience, ability and responsibility of Mr. Ng and with reference to the market rates. The basic salary payable to Mr. Ng had been increased to HK$120,500 per month, his Directors' fee remained unchanged. On 30 August 2012, a discretionary bonus of HK$195,750 was paid to Mr. Ng.

(iii) Change in positions held in the Board committees

Positions held in remuneration committee of the Company	Appointment date	Cessation date
Mr. Zhang – member	15 August 2012	N/A
Mr. Ng – member	N/A	15 August 2012

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 March 2012.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

INTERIM DIVIDEND

The Directors do not declare any interim dividend for the six months ended 30 September 2012.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. LAM Ka Wai Graham and Mr. TAM B Ray Billy.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim financial statements for the Period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim report for the Period will be dispatched to the Shareholders and published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.290.com.hk in due course.

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

Hong Kong, 29 November 2012

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