中國富強金融集團

CHINA FORTUNE FINANCIAL GROUP

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

KEY TO SUCCESS

ANNUAL REPORT 2013

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 Directors

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 Kay Kwok
Mr. TAM B Ray Billy
Mr. ZHANG Min

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong
Tel: (852) 2849 3399
Fax: (852) 2849 3319

STOCK CODE

0290

WEBSITE

www.290.com.hk

Chairman's Statement

The year 2012 is truly eventful. The continuation of the European debt crisis coupled with U.S. fiscal issues have worsened the already sluggish global economic environment. Although the sovereign debt crisis has been slightly eased under the rescue package and other supports from the European Union, European Central Bank and International Monetary Fund, the international investment market yet sees any signs of recovery.

In contrast, the People's Republic of China ("**PRC**") or ("**China**") economy has maintained high growth over the past year. In 2012, China's GDP increased by 7.8%, slightly higher than the 7.5% target. After the 18th Party Congress, the Central Government has stated to further implement the proactive fiscal policy and prudent monetary policy, center for the improvement of the quality and efficiency of economic growth, seek improvement in stability and undertake the important role of driving global economic recovery. Moreover, the Central Government will continue to provide support to maintain Hong Kong's international financial center status, creating favorable market opportunities for us.

After years of business integration, China Fortune Financial Group Limited (hereinafter referred to as the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") have built a comprehensive, diversified financial services platform, with businesses ranging from securities, corporate finance, asset management, wealth management, money lending and media consulting. In mainland China, except for a fund management company and associated small loan and finance lease companies, the Group has established Fortune (HK) Consulting Limited, to further extend its financial services presence in China.

Amid the crisis and challenges, various businesses of the Group are proceeding steadily, with synergies and advantage complementarities. Wherein, the performance of microfinance business is particularly inspiring, attributable to the fact that the fast development of SMEs in mainland China has spurred credit demands. We believe that the microfinance market has considerable potentials and relevant businesses are bound to become the drivers of the Group's revenues in the future.

Looking ahead, along with the further stabilization and recovery of China economy, it is expected that enterprises and high net worth individuals in mainland China will have increasingly more demands for corporate financing and wealth management. Leveraging on our extensive networks in both Hong Kong and the mainland and in-depth understanding of financial markets, the Group will surely be able to effectively satisfy the needs of small and medium capital markets both in Hong Kong and the mainland and provide customers with a wide range of one-stop financial services. The Group will continue to explore more investment and cooperation opportunities in the Greater China region and strive to become a major integrated financial services provider in the Greater China region, to bring attractive returns for our Company's Shareholders (the "**Shareholders**").

By Order of the Board

ZHANG Min
Chairman

Hong Kong, 13 June 2013

Management Discussion and Analysis

RESULTS

For the year ended 31 March 2013, the turnover of the Group's continuing operations decreased slightly by 1.15% to approximately HK$46,810,000 (2012: HK$ approximately HK$47,354,000). Income from proprietary trading and corporate finance and interest income from money lending has increased. However, the brokerage income and margin interest income slipped as a result of the decreasing turnover of Hong Kong securities market, offsetting the increase in income from proprietary trading and corporate finance and interest income from money lending. Profit of approximately HK$2,587,000 (2012: loss of approximately HK$5,701,000) was recorded from the discontinued operation following the disposal of entire equity interest in Excalibur Futures Limited ("**EFL**") and its subsidiaries (collectively referred to as "**EFL Group**") on 31 May 2012. Due to the reduction in brokerage commission income and margin interest income from securities 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 for the year was approximately HK$69,002,000, as compared to the loss attributable to the owners of the Company of approximately HK$69,602,000 in last year.

On 22 August 2012, the Group acquired 25% of equity interest in China Runking Financing Group Holdings Limited (formerly known as "**Media Eagle Limited**") ("**China Runking**") in order to develop the microfinance services in the PRC and was assigned with the interest-free on-demand loan of US$7,500,000 owed by China Runking upon exercise of the Exchangeable Note. Details of the acquisition disclosed in the section headed "Significant Investment".

REVIEW OF OPERATIONS

Broking and margin financing

During the year, 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$25,271,000 from brokerage and margin financing business, representing a decrease of 47.36% as compared to the revenue of approximately HK$48,011,000 last year.

The Group's strategy is to focus and strengthen existing securities operation of Fortune (HK) Securities Limited ("**F(HK)SL**"), a wholly-owned subsidiary of the Company and work in close collaboration with its Shenzhen representative office to explore cross border business opportunities in securities trading and placement.

Proprietary trading

During the year, all securities traded were shares listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The proprietary trading business achieved a turnaround for the year with turnover increasing to HK$3,607,000 (2012: trading loss of securities amounting to approximately HK$13,697,000) and recorded a profit of HK$2,729,000 (2012: loss of approximately HK$13,697,000). The increase in turnover and the profit during the year was attributed to the high volatility of the securities market.

Corporate finance

The corporate finance 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 financial services, such as placing, rights issue and advisory services on corporate transactions including merger and acquisition.

With the commencement of the new business in corporate finance in 2012, the Group continues to allocate more resources to develop the corporate finance division for satisfying the needs of its customers. During the year, the Group recorded revenue of approximately HK$6,535,000 (2012: approximately HK$2,328,000) 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 year, the Group recorded interest income from money lending of approximately HK$9,472,000, representing an increase of 20.80% as compared to the revenue of approximately HK$7,841,000 in the last year.

Other businesses

During the year, the Group recorded revenue from other business operations in the areas of financial communication service and other consultancy service of approximately HK$6,126,000 (2012: approximately HK$6,390,000). The Group aims to provide its 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 EFL Group to New Century Excalibur Holdings Limited ("**New Century**") in May 2012. The operation of the futures brokerage business carried out by EFL up to the date of disposal is presented in the consolidated financial statements of the Group for the year as discontinued operation.

PROSPECTS

Uncertainties over the European sovereign debt and U.S. fiscal cliff motion have entailed instable factors to global economic recovery. It is expected that the macroeconomic environment in 2013 would remain challenging and the world's second largest economy China may be able to maintain a moderate economic growth.

With the gradual internationalization of RMB, Hong Kong, relying on its international financial center status, has become China's window to the outside world. This on one hand isolates the impact of international financial fluctuations on the domestic market and helps regulate the scale and pace of RMB's going out, and brings infinite business opportunities to Hong Kong's financial services industry on the other.

In addition, in 2012, China's State Council promulgated the Opinion of the State Council on Further Supporting the Healthy Development of Micro-To-Small Scale Enterprises ("**SMEs**") (State Council Doc. No. [2012] 014) and enacted a series of measures to help SMEs fill the financing gap. Data released by the People's Bank of China shows that as of the end of March 2013, there are 6,555 small loan companies country wide, with the loan amount at 635.7 billion (RMB, same below); the number of newly established loan companies within the past three months is 475, with the cumulative new loans of 43.4 billion. The Group believes that this microfinance market has great potentials, so we will continue to expand businesses in this field, to grasp opportunities and find better profit contributors.

Looking ahead, the Group will further consolidate and improve existing financial services platforms while actively promoting various professional financial services. We aim to become a major integrated financial services provider in the Greater China region and bring substantial returns for our Shareholders.

CAPITAL STRUCTURE

As at 31 March 2013, the total issued shares of the Company (the "**Shares**") capital 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 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 licensed subsidiaries of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

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

As at 31 March 2013, the Group's total current assets and current liabilities were approximately HK$447,295,000 (as at 31 March 2012: approximately HK$488,969,000) and approximately HK$128,311,000 (as at 31 March 2012: approximately HK$137,335,000) respectively, while the current ratio was about 3.49 times (as at 31 March 2012: about 3.56 times).

As at 31 March 2013, the Group's aggregate cash and bank balance amounted to approximately HK$43,535,000 (as at 31 March 2012: approximately HK$69,251,000), representing approximately 9.73% (as at 31 March 2012: approximately 14.16%) of total current assets. 54% and 45% of cash and bank balance are denominated in Hong Kong Dollars and United States Dollars, respectively. The rest of cash and bank balance are denominated in RMB.

As at 31 March 2013, the Group had bank and other borrowings HK$52,954,000 (as at 31 March 2012: approximately HK$54,328,000). Other borrowings 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. During the year, no financial instruments were used for hedging purposes.

As at 31 March 2013, the gearing ratio, measured on the basis of total borrowing as a percentage of total Shareholders' equity, was approximately 37.92% (as at 31 March 2012: 35.63%).

As at 31 March 2013, the debt ratio, defined as total debts over total assets, was approximately 39.54% (as at 31 March 2012: 43.03%). The decrease in the ratio was mainly due to the completion of the disposal of EFL Group during the year.

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 on the Growth Enterprises Market of the Stock Exchange. The Exchangeable Note bears 12% interest per annum with maturity on 15 November 2012. On 22 August 2012, Gold Kingdom acquired 25% of equity interest in China Runking and was assigned with the interest-free on-demand loan of US$7,500,000 owed by China Runking upon exercise of the exchangeable rights attaching to the Exchangeable Note.

As at 31 March 2013, the Group held financial asset at fair value through profit or loss amounted to approximately HK$22,842,000 (as at 31 March 2012: approximately HK$14,915,000).

MATERIAL ACQUISITION AND DISPOSAL

In July 2011, Fortune Financial (Holdings) Limited ("**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 dispose of its entire interest in EFL Group to New Century at the consideration of HK$15,880,000. The transaction constituted 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 on 31 May 2012.

Other than the acquisition of 25% equity interest in China Runking as disclosed in the section headed "Significant Investment" above and completion of the disposal of EFL Group, there was no material acquisition or disposal of the Group during the year ended 31 March 2013.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 March 2013 (2012: Nil).

CHARGE ON THE GROUP'S ASSET

No asset of the Group was subject to any charge as at 31 March 2013 (2012: 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, 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

At as 31 March 2013, the Group had 74 employees in total (as at 31 March 2012: 128). 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.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. ZHANG Min

Mr. ZHANG Min, aged 55, was appointed as a non-executive Director on 8 December 2010 and was re-designated to an executive Director on 12 April 2011. He was also appointed as chairman on 12 April 2011. Mr. Zhang is a member of the Remuneration Committee of the Company. 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 52, was appointed as an executive Director in April 2007 and was further appointed as the Managing Director on 4 December 2007. Mr. Ng is a member of the Nomination Committee of the Company. Upon his directorate in the Company, he was further appointed as directors of almost all subsidiaries of the Group. Mr. Ng graduated from the University of Alberta, Canada with a Bachelor Degree in Commerce, majoring in Accounting. He also received a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng is a member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of corporate development, corporate re-structuring, management and accounting experience. Mr. Ng is 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 an independent non-executive director of the Hong Kong Building and Loan Agency Limited from 15 January 2010 to 3 August 2012, a company listed on the main board of the Stock Exchange. He also was an executive director of Hao Tian Resources Group Limited from 1 September 2009 to 20 September 2011 and New Environmental Energy Holdings Limited from 16 August 2010 to 27 May 2011, both of which are listed on the main board of the Stock Exchange.

Mr. HON Chun Yu

Mr. HON Chun Yu, aged 37, was appointed as an executive Director in January 2010. He has over ten 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 51, was appointed as a non-executive Director on 8 December 2010 and was re-designated to an executive Director on 5 May 2011. Mr. Xia was further appointed as directors of various subsidiaries of the Group in 2012. 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. Mr. Xia was 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. As at the date of this report, Jadehero Limited ("**Jadehero**"), a company incorporated in the British Virgin Islands with limited liability, beneficially held 800,000,000 Shares. Jadehero is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited. Mr. Xia is a director of Jadehero and the sole director of Southlead Limited.

NON-EXECUTIVE DIRECTORS

Mr. WONG Kam Fat Tony

Mr. WONG Kam Fat Tony, aged 50, was appointed as a non-executive Director in September 2009. He resigned as the chairman of the Company and was appointed as the 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 17 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. As at the date of this report, Jadehero beneficially held 800,000,000 Shares. Jadehero is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited. Mr. Wong is a director of Jadehero and the sole director of Marvel Steed Limited.

Mr. WU Ling

Mr. WU Ling, aged 59, was appointed as a non-executive Director on 16 December 2011. He holds a Bachelor 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, a company incorporated in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Ka Wai Graham

Mr. LAM Ka Wai, Graham, aged 45, was appointed as an independent non-executive Director in September 2007. He is also the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. 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 19 years of experience in investment banking as well as over 3 years of experience in accounting and auditing. He is also an independent non-executive director of Cheuk Nang (Holdings) Limited and Nan Nan Resources Enterprise Limited, both of which are 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 an independent non-executive director of King Stone Energy Group Limited from 23 April 2012 to 22 March 2013, Pearl Oriental Oil Limited from 3 October 2008 to 19 March 2013, 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, all of which are 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, all of which are listed on the GEM.

Mr. NG Kay Kwok

Mr. NG Kay Kwok, aged 51, was appointed as an independent non-executive Director in September 2007. He is also the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee of the Company. 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. In addition, Mr. Ng was an executive director and the chief executive officer of M Dream Inworld Limited ("**M Dream**"), a company listed on the GEM, from 9 July 2010 to 31 May 2011 and from 29 May 2012 to 24 May 2013, was also the company secretary of M Dream from 1 January 2007 to 31 May 2011.

Mr. TAM B Ray Billy

Mr. TAM B Ray Billy, aged 45, was appointed as an independent non-executive Director in September 2007. He is also the chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Tam has been a practising solicitor in Hong Kong for over sixteen years. He is currently a partner of Messrs. Ho & Tam. Mr. Tam holding a Bachelor Degree of Laws from the University of London, a Bachelor Degree of PRC Laws from Tsinghua University; and a Master Degree of Laws from The University of Hong Kong. He is an independent non-executive director of M Dream, 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 the main board of the Stock Exchange.

REPORT OF DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2013 of the Group.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on pages 35 to 36 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: 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 38 and 37 to the consolidated financial statements respectively.

RESERVES

Movements in the reserves of the Group during the year are set out on pages 39 to 41 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2013 and 31 March 2012, 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 132 of this annual report. This summary does not form part of the audited financial statements.

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**"). The 2012 Scheme shall be valid and effective for a period of ten years commencing on 19 August 2011, subject to the early termination provisions contained therein.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. The subscription price of a Share in respect of any particular option granted under the 2012 Scheme shall be a price solely determined by the Directors, but shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which shall be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the 2012 Scheme does not exceed 10% of the shares in issue as at the date of adoption of the 2012 Scheme. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Rules Governing on the Listing Securities of the Stock Exchange, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue at the time.

The total number of securities available for issue under the 2012 Scheme as at the date of this annual report was 292,408,566 Shares which represented approximately 9.24% of the issued share capital of the Company as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the 2012 Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

No share option was granted, exercised, lapsed or cancelled during the year ended 31 March 2013 pursuant to the 2003 Scheme and 2012 Scheme.

As at 31 March 2013, 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 40 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

In accordance with article 116 of the articles of association of the Company (the "**Articles of Association**"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not three or a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. NG Cheuk Fan Keith, Mr. HON Chun Yu and Mr. NG Kay Kwok shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 8 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts or letters of appointment with each of the Directors for a specific term of one year, subject to renewal provisions therein and retirement by rotation and re-election at annual general meetings of the Company. Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming annual general meeting has service contracts or letter of appointment 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2013, 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 (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Interests in Shares and underlying shares of the Company:

Name of Director	Capacity	Interest in Shares	Interest in underlying shares	Approximate percentage of the issued share capital of the Company
WONG Kam Fat Tony ("**Mr. Wong**") (Note 1)	Interest of controlled corporations	800,000,000	–	25.27%
XIA Yingyan ("**Mr. Xia**") (Note 1)	Interest of controlled corporations	800,000,000	–	25.27%

Note:

1. Mr. Wong is the vice-chairman and a non-executive Director whereas Mr. Xia is an executive Director. Jadehero, a company incorporated in the British Virgin Islands with limited liability, beneficially held 800,000,000 Shares as at 31 March 2013. Jadehero 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.

Save as disclosed above, as at 31 March 2013, none of the Directors nor the chief executive of the Company, had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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 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 2013.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2013, as far as is known to the Directors, the following persons had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Name of Shareholder(s)	Capacity	Interest in Shares	Interest in underlying shares	Total interest in shares	Approximate percentage to the issued share capital of the Company as at 31 March 2013
Jadehero Limited (Note 1)	Beneficial owner	800,000,000	–	800,000,000	25.27%
Southlead Limited (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	25.27%
Mr. Xia (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	25.27%
Marvel Steed Limited (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	25.27%
Mr. Wong (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	25.27%
Mankind Investment Limited ("**MIL**") (Note 2)	Beneficial owner	500,000,000	–	500,000,000	15.79%
China Cinda (HK) Asset Management Co., Limited ("**China Cinda (HK)**") (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 ("**China Cinda Asset**") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	15.79%
One Express Group Limited ("**One Express**") (Note 3)	Beneficial owner	–	320,000,000	320,000,000	10.11%
CR Investment Group Limited ("**CR Investment**") (Note 3)	Interest of controlled corporation	–	320,000,000	320,000,000	10.11%
PME Group Limited ("**PME Group**") (Note 3)	Interest of controlled corporation	–	320,000,000	320,000,000	10.11%
China Railway Logistics Limited ("**China Railway**") (Note 4)	Interest of controlled corporation	310,738,000	–	310,738,000	9.81%
Right Magic Limited (Note 4)	Beneficial owner	263,738,000	–	263,738,000	8.33%
SHI Zhi Jun ("**Mr. Shi**") (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Kaiser Capital Holdings Limited ("**Kaiser Capital**") (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Credit China Holdings Limited ("**Credit China**") (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Ever Step Holdings Limited (Note 5)	Beneficial owner	–	201,923,075	201,923,075	6.38%
SO Chi Yuk	Beneficial owner	200,000,000	–	200,000,000	6.32%

Notes:

1. As at 31 March 2013, Jadehero beneficially held 800,000,000 Shares. Jadehero is owned as to 20% by Marvel Steed Limited which is wholly-owned by Mr. Wong and as to 80% by Southlead Limited which is wholly-owned by Mr. Xia. Each of Mr. Wong and Mr. Xia is a Director.

2. As at 31 March 2013, MIL beneficially held 500,000,000 Shares. MIL is wholly-owned by China Cinda (HK) which is turn wholly-owned by Well Kent. Well Kent is wholly-owned by China Cinda Asset. For the purpose of SFO, China Cinda (HK), Well Kent and China Cinda Asset are deemed or taken to be interested in the Shares held by MIL.

3. As at 31 March 2013, One Express was the subscriber of the 5% coupon convertible loan note issued by the Company in the aggregate principal of HK$32,000,000 due 29 February 2016 with an initial conversion price of HK$0.1 per conversion Share (subject to adjustment) which can be converted into 320,000,000 conversion Shares upon full conversion at the initial conversion price. One Express is wholly-owned by CR Investment which in turn is wholly-owned by PME Group. For the purpose of SFO, One Express, CR Investment and PME Group are deemed or taken to be interested in the said 320,000,000 conversion Shares.

4. As at 31 March 2013, Right Magic Limited, Sure Venture Investment Limited and Excel Return Enterprise Limited beneficially held 263,738,000 Shares, 40,000,000 Shares and 7,000,000 Shares respectively. Right Magic Limited, Sure Venture Investment Limited and Excel Return Enterprise Limited are all indirect wholly-owned subsidiaries of China Railway. For the purpose of SFO, China Railway is deemed or taken to be interested in the Shares held by Right Magic Limited, Sure Venture Investment Limited and Excel Return Enterprises Limited.

5. As at 31 March 2013, Ever Step Holdings Limited was the subscriber of the 12% coupon convertible loan note issued by the Company in the aggregate principal of HK$40,384,615 due 29 November 2014 with an initial conversion price of HK$0.2 per conversion Share (subject to adjustment) which can be converted into 201,923,075 conversion Shares upon full conversion at the initial conversion price. Ever Step Holdings Limited is a direct wholly-owned subsidiary of Credit China which is in turn owned by Kaiser Capital as to 34%. Mr. Shi is the sole beneficial owner of the entire equity interest of Kaiser Capital. For the purpose of SFO, Credit China, Kaiser Capital and Mr. Shi are deemed or taken to be interested in the said 201,923,075 conversion Shares.

Save as disclosed above, and as at 31 March 2013, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CONNECTED TRANSACTIONS

The related party transactions are set out in note 43 to the consolidated financial statements. The related party transactions are exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ISSUE OF CONVERTIBLE BOND

On 6 February 2013, the Company (as the issuer) entered into a subscription agreement (the "**Agreement**") with One Express (the "**Subscriber**"), an independent third party, pursuant to which, the Subscriber agreed to subscribe for the convertible bond in the principal amount of HK$32,000,000 (the "**Convertible Bond**"). The Subscriber is a company incorporated in the British Virgin Islands and is principally engaged in investment holdings and is a wholly-owned subsidiary of PME Group, the shares of which are listed on the main board of the Stock Exchange. Completion of the subscription under the Agreement took place on 1 March 2013. The Convertible Bond bears interest at 5% per annum and has a term of maturity of three years.

Upon full conversion of the Convertible Bond, a total of 320,000,000 new ordinary shares of HK$0.01 each in the Company will be issued at the initial conversion price of HK$0.10 per share (subject to adjustment). The closing price per share in the Company as at 6 February 2013 i.e. the date of the Agreement was HK$0.109.

The net proceeds from the issue of Convertible Bond of approximately HK$32,000,000 had been used for repayment of debts of the Group.

The Directors considered that the raising of funds by the issue of Convertible Bond is justifiable taking into account the then market conditions which represent an opportunity for the Group to strengthen its capital base and financial position. The Directors consider that the issue of Convertible Bond is an appropriate means of raising additional capital of the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

For details of the Agreement and relevant transactions, please refer to the announcements of the Company dated 6 February 2013 and 1 March 2013.

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.

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 2013.

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 listed securities 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 codes are set out in the Corporate Governance Report on pages 20 to 32 of this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period are set out in note 49 to the consolidated financial statements.

AUDITOR

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

NG Cheuk Fan Keith
Managing Director

Hong Kong, 13 June 2013

Corporate Governance Report

The Company's commitment to the highest standards of corporate governance is driven by the board of Directors (the "**Board**") who, led by the chairman, assume overall responsibility for the governance of the Company, taking into account the interests of the Shareholders, the development of its business, and the changing external environment.

The Company believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its Shareholders.

The Company has adopted the Code Provisions of the Corporate Governance Code (the "**C G Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the year ended 31 March 2013, the Company has complied with all code provisions and, where appropriate, met the recommended best practices in the C G Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transaction. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2013.

BOARD OF DIRECTORS

Composition of the Board, number of Board meetings, Board Committees meetings, Annual General Meeting and Directors' attendance

The Board has a balance of skills and experience and a balanced composition of executive, non-executive and independent 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. Six Board meetings were held during the financial year ended 31 March 2013.

The composition of the Board, Board meetings, Board Committees meetings, Annual General Meeting and attendance of the Directors are set out below:

Directors	**Board Meetings** (note 1)	**Remuneration Committee Meetings**	**Audit Committee Meetings**	**Nomination Committee Meetings**	**Annual General Meeting Held on 15 August 2012**
Executive Directors					
ZHANG Min (note 2) *(Chairman)*	6/6	1/1	N/A	N/A	1/1
NG Cheuk Fan Keith (note 3) *(Managing Director)*	5/5	1/1	N/A	1/1	1/1
HON Chun Yu	5/5	N/A	N/A	N/A	1/1
XIA Yingyan	5/5	N/A	N/A	N/A	1/1
Non-executive Directors					
WONG Kam Fat Tony *(Vice-chairman)*	6/6	N/A	N/A	N/A	1/1
WU Ling	6/6	N/A	N/A	N/A	1/1
Independent non-executive Directors					
NG Kay Kwok (note 4)	6/6	2/2	2/2	1/1	1/1
LAM Ka Wai Graham (note 5)	6/6	2/2	2/2	1/1	1/1
TAM B Ray Billy (note 6)	6/6	2/2	2/2	1/1	1/1

Notes:

1 Included a Board meeting where the chairman met independent and other non-executive Directors without the executive Directors present

2 Mr. ZHANG Min was appointed as a member of Remuneration Committee with effect from 15 August 2012

3 Mr. NG Cheuk Fan Keith was resigned as a member of Remuneration Committee with effect from 15 August 2012

4 Mr. NG Kay Kwok is the chairman of Audit Committee

5 Mr. LAM Ka Wai Graham is the chairman of Remuneration Committee

6 Mr. TAM B Ray Billy is the 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 in the aforesaid, none of the Directors has any relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

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.

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.

The non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Group. The independent non-executive Directors review the financial information and operational performance of the Group on a regular basis. The independent non-executive Directors are invited to serve on the Board Committees of the Company.

Every Director has hands-on knowledge and expertise in the areas and operation in which he is charged with. Appropriate attention to the affairs of the Group is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his necessary knowledge and expertise.

Directors' commitments

Each Director discloses to the Company at the time of his appointment, the number and nature of offices held in public companies or organisations and other significant commitments with the identity of the public companies or organisations and an indication of relevant time commitment. Directors are also reminded to notify the Company Secretary in a timely manner and bi-annually confirm to the Company Secretary any change of such information. In respect of those Directors who stand for re-election at the forthcoming annual general meeting, all of their directorships held in listed public companies in the past three years are set out in the notice of the annual general meeting.

The Company has adopted the Model Code under the Listing Rules, for all employees of the Group regarding dealings in securities issued by the Group and its associated companies.

The Company has established a policy on handling of confidential and price-sensitive information, and securities dealing for all employees of the Group to comply with when they are in possession of confidential or unpublished price-sensitive information in relation to the Group. A revised policy on handling of confidential information, information disclosure, and securities dealing has been adopted by the Company to comply with the new requirements set out in Part XIVA of the Securities and Futures Ordinance effective from 1 January 2013.

Director induction and continuous professional development

Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Group.

Information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors published by the Companies Registry of Hong Kong and The Hong Kong Institute of Directors (the "**HKIOD**"), and Guideline for Independent Non-Executive Directors published by HKIOD have also been forwarded to each Director for his information and ready reference.

In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors.

During the financial year under review, the Directors have provided to the Company their records of continuous professional development and the training record has been maintained by the Company Secretary.

During the year, the Company had arranged at the cost of the Company Directors' seminar sessions (for example, Recent amendments to the Listing Rules and Price Sensitive Information – New law, new regime) conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Directors have also participated in continuous professional training organised by professional bodies and/or government authorities.

The Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

(1) Reading memoranda issued or materials provided (for example, in-house directors' seminars) from time to time by the Group to Directors, and as applicable, briefings and reports by the Company Secretary, as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties with the latest developments in public consultations, laws, rules and regulations relating to the duties and responsibilities of directors and corporate governance;

(2) Participation in continuous professional training seminars/conferences/courses/workshops on subjects relating to directors' duties and corporate governance, etc. organised by the Company and/or professional bodies and/or government authorities; and

(3) Reading news/journal/magazine/other reading materials as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

According to the records of training maintained by the Company Secretary, during the financial year under review, all the Directors pursued continuous professional development and relevant details are set out below:

Members of the Board	Training received
Executive Directors	
ZHANG Min	(1), (2) & (3)
NG Cheuk Fan Keith	(1), (2) & (3)
HON Chun Yu	(1) & (2)
XIA Yingyan	(1) & (2)
Non-executive Directors	
WONG Kam Fat Tony	(1), (2) & (3)
WU Ling	(1) & (2)
Independent non-executive Directors	
LAM Ka Wai Graham	(1), (2) & (3)
NG Kay Kwok	(1), (2) & (3)
TAM B Ray Billy	(1), (2) & (3)

LIABILITY INSURANCE FOR THE DIRECTORS

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

CHAIRMAN AND CHIEF EXECUTIVE

As at 31 March 2013, 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.

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 are subject to retirement by rotation pursuant to the Articles of Association of the Company.

BOARD COMMITTEES

The terms of reference of all Board Committees are disclosed in full on both the websites of the Company and the Stock Exchange.

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. ZHANG Min, the chairman 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 C G 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 two meetings and significant matters discussed are summarized as follows:

– to review the remuneration package of all Directors and senior management; and

– to recommend the remuneration package of the newly appointed Directors to the Board for approval.

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 CG 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 annual general meeting (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 one meeting and has duly discharged the duties mentioned above.

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 CG 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; and

  (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 two 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;

(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.

Corporate Governance functions

The Board is responsible for determining the policy for the corporate governance of the Company. During the year under review, the Board developed and reviewed the Company's policies and practices on corporate governance and made recommendations.

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 2013, 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	790,000
Non-audit services	
– Interim review	150,000

Auditor's responsibilities for financial statements

The reporting responsibilities of the SHINEWING to the Shareholders are set out in the Independent Auditors' Report on pages 33 and 34.

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 2013 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 2013, 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.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary, Mr CAI Chun Fai, who is an employee of the Group. The Company Secretary reports to the chairman on Board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with Shareholders and management. During the period under review, the Company Secretary undertook over 15 hours of professional training to update his skills and knowledge.

SHAREHOLDERS' RIGHTS

The Board gives high priority to balanced, clear, and transparent communications which allow Shareholders and investors to understand the Group's prospects and the market environment in which it operates. The Company engages with Shareholders and investors in a number of different ways to help ensure that their views and concerns are understood and addressed in a constructive way.

In March 2012, the Board has established a Shareholders communication policy and a Shareholders' guide are in place to ensure that Shareholders are provided with ready, equal, and timely access to balanced and understandable information about the Group. The policy is regularly reviewed to ensure its effectiveness and is posted on the Group's website.

The Group's website has become the primary method of communication with the majority of Shareholders. The investor relations section of the website is kept under regular review to ensure that information relevant to Shareholders is provided in an accurate and timely manner.

The particulars of Shareholders' rights relating to, inter alia, putting forward proposals at Shareholders' meetings, convening of extraordinary general meetings and making enquiries to the Group are as follows:–

Proposing a candidate for election as a Director at the general meetings of the Company

Pursuant to Article 120 of the Company's Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director, signed by a Shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by that person of his willingness to be elected shall have been lodged at the registration office. The minimum length of the period during which such notices are given shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting.

To include a resolution relating to other matters in a general meeting, Shareholders are requested to follow the requirements and procedures as set out in the investor relation section of the Company's website.

Convening of extraordinary general meeting of the Company

Pursuant to Article 72 of the Company's Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Enquiries to the Board

The Board is grateful to Shareholders and other stakeholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group.

Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post to the Company, 35/F., Office Tower, Convention Plaza, Wanchai, Hong Kong or by email to info@290.com.hk

INTERNAL CONTROLS

The Board acknowledges its responsibilities for the Group's internal control system and has reviewed regularly 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. The Company had complied satisfactorily with the requirements of the CG Code in respect of the internal controls.

INVESTOR RELATIONS

Constitutional Documents

The Company's Memorandum and Articles of Association (in both English and Chinese) is available on both the websites of the Company and the Stock Exchange. During the year under review, there is no change to the Company's Memorandum and Articles of Association.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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. An AGM circular was distributed to all Shareholders at least 20 clear business days prior to the AGM held on 15 August 2012 (the "**2012 AGM**"), setting out the details of each proposed resolution and other relevant information. Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual Directors. Shareholders have the opportunity to participate effectively and vote in general meetings and are informed of the rules, including voting procedures, that govern general meeting.

The 2012 AGM of the Company was held in the 35/F., Office Tower, Convention Plaza, Wanchai, Hong Kong. The chairman of the Board and the chairmen of Board Committees, accompanied by other Directors, attended the 2012 AGM. Please refer to the table set out on pages 20 to 21 for the details of attendance of the Directors in the 2012 AGM. The external auditors of the Company, SHINEWING, attended the 2012 AGM, during which was available to answer questions raised by the Shareholders.

信永中和
ShineWing

TO THE MEMBERS OF CHINA FORTUNE FINANCIAL GROUP LIMITED
中國富強金融集團有限公司
(Incorporated in the 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 35 to 131, which comprise the consolidated statement of financial position as at 31 March 2013, 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 information.

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, whether 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 2013 and of its 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
13 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Turnover	7	46,810	47,354
Cost of securities brokerage and margin financing		(2,938)	(4,070)
Other revenue	9	14,556	20,119
Depreciation		(5,909)	(4,737)
Salaries and allowances		(43,980)	(41,257)
Change in fair value of financial assets designated as fair value through profit or loss		3,716	(289)
Change in fair value of derivative component of convertible loan notes		4,975	52,400
Gain on early redemption of guaranteed exchangeable notes	36	–	8,836
Change in fair value of guaranteed exchangeable notes	36	–	(5,467)
Gain (loss) on disposal of subsidiaries	42	430	(1,054)
Impairment losses	10	(39,817)	(70,770)
Other operating and administrative expenses		(41,160)	(50,725)
Share of profits of associates		2,428	–
Share of profits of jointly-controlled entities		1,094	157
Finance costs	11	(12,158)	(14,506)
Loss before tax	12	(71,953)	(64,009)
Income tax expense	13	–	(452)
Loss for the year from continuing operations		(71,953)	(64,461)
Discontinued operation			
Profit (loss) for the year from discontinued operation	16	2,587	(5,701)
Loss for the year		(69,366)	(70,162)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		572	19
Share of other comprehensive income of associates		152	–
Share of other comprehensive income of jointly-controlled entities		52	4
Reclassification adjustments for the cumulative exchange gains included in consolidated statements of comprehensive income upon disposal of foreign subsidiaries		(391)	–
Other comprehensive income for the year		385	23
Total comprehensive expense for the year		(68,981)	(70,139)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(69,002)**	(69,602)
Non-controlling interests		**(364)**	(560)
		(69,366)	(70,162)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(68,619)**	(69,579)
Non-controlling interests		**(362)**	(560)
		(68,981)	(70,139)
Loss per share	17		
		HK cents	HK cents
From continuing and discontinued operations			
Basic		**(2.18)**	(2.29)
Diluted		**(2.18)**	(3.19)
From continuing operations			
Basic		**(2.26)**	(2.10)
Diluted		**(2.26)**	(3.04)

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Plant and equipment	18	9,482	11,588
Intangible assets	19	–	–
Club membership debentures	20	6,610	6,610
Other non-current assets	21	230	275
Goodwill	22	3,994	3,994
Available-for-sale financial assets	23	8	1,448
Interests in associates	24	14,183	–
Interests in jointly-controlled entities	25	9,384	8,238
Deposits	30	3,345	3,345
		47,236	35,498
Current assets			
Amounts due from associates	24	58,403	–
Amounts due from jointly-controlled entities	25	70,000	32,308
Investments held for trading	26	22,842	14,915
Trade receivables	27	153,096	210,405
Loan receivables	28	29,448	55,270
Amount due from an investee company	29	–	–
Other receivables, deposits and prepayments	30	2,429	3,221
Convertible instruments designated as financial assets at fair value through profit or loss	31	–	60,317
Derivative component of convertible loan notes	37	6,821	4,924
Amount due from a non-controlling Shareholder of a subsidiary	32	125	125
Bank balances and cash – trust	33	60,596	38,233
Bank balances and cash – general	33	43,535	69,251
		447,295	488,969
Assets classified as held for sale	16	–	108,512
		447,295	597,481
Current liabilities			
Trade payables, other payables and accruals	34	74,637	43,467
Bank and other borrowings	35	52,954	54,328
Derivative component of convertible loan notes	37	–	7,359
Convertible loan notes	37	–	31,424
Tax payable		720	757
		128,311	137,335
Liabilities associated with assets held for sale	16	–	94,976
		128,311	232,311
Net current assets		318,984	365,170
Total assets less current liabilities		366,220	400,668

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	38	**316,609**	316,609
Reserves		**(17,623)**	43,293
Equity attributable to owners of the Company		**298,986**	359,902
Non-controlling interests		**4**	720
Total equity		**298,990**	360,622
Non-current liability			
Convertible loan notes	37	**67,230**	40,046
		366,220	400,668

The consolidated financial statements on pages 35 to 131 were approved and authorised for issue by the Board on 13 June 2013 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 2013

	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 (expense) for the year	–	–	–	23	–	–	–	(69,602)	(69,579)	(560)	(70,139)
Acquisition of a subsidiary (note 41)	–	–	–	–	–	–	–	–	–	885	885
Capital contribution from a non-controlling interest Shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	250	250
Recognition of equity component of convertible loan notes (note 37)	–	–	–	–	7,086	–	–	–	7,086	–	7,086
Issue of new shares (note 38 (a))	15,000	34,500	–	–	–	–	–	–	49,500	–	49,500
Issue of new shares upon exercise of share warrants (note 39)	1,200	552	(552)	–	–	–	–	–	1,200	–	1,200
Conversion of convertible loan notes (note 37 and 38(b))	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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Group										
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Convertible loan notes equity reserve HK$'000	Special reserve HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Other reserve HK$'000 (Note c)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2012	316,609	431,725	32	13,683	13,524	1,863	–	(417,534)	359,902	720	360,622
Other comprehensive income for the year:											
Exchange differences arising on translation of foreign operations	–	–	570	–	–	–	–	–	570	2	572
Share of other comprehensive income of associates	–	–	152	–	–	–	–	–	152	–	152
Share of other comprehensive income of jointly-controlled entities	–	–	52	–	–	–	–	–	52	–	52
Reclassification adjustments for the cumulative gains included in consolidated statements of comprehensive income upon disposal of foreign subsidiaries	–	–	(391)	–	–	–	–	–	(391)	–	(391)
	–	–	383	–	–	–	–	–	383	2	385
Loss for the year	–	–	–	–	–	–	–	(69,002)	(69,002)	(364)	(69,366)
Total comprehensive income (expense) for the year	–	–	383	–	–	–	–	(69,002)	(68,619)	(362)	(68,981)
Capital contribution from a non-controlling interest Shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	249	249
Recognition of equity component of convertible loan notes (note 37)	–	–	–	10,018	–	–	–	–	10,018	–	10,018
Lapse of conversion option (note 37)	–	–	–	(6,597)	–	–	–	6,597	–	–	–
Acquisition of non-controlling interests of subsidiaries (note c)	–	–	–	–	–	–	(2,315)	–	(2,315)	(603)	(2,918)
At 31 March 2013	316,609	431,725	415	17,104	13,524	1,863	(2,315)	(479,939)	298,986	4	298,990

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.

(c)(i) On 18 May 2012, the Group further acquired 20% equity interest in Fortune Financial Capital Limited ("**Fortune Financial Capital**") at a cash consideration of HK$1,793,000. After the acquisition, the Group holds entire equity interest of Fortune Financial Capital. Fortune Financial Capital is principally engaged in provision of corporate finance service.

(c)(ii) On 10 January 2013, the Group further acquired 25% equity interest in Fortune Wealth Management Limited ("**Fortune Wealth**") at a cash consideration of HK$1,125,000. After the acquisition, the Group holds entire equity interest of Fortune Wealth. Fortune Wealth is principally engaged in sales of long-term and general insurance products.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss for the year	(69,366)	(70,162)
Adjustments for:		
Income tax	–	452
Changes in fair value of derivative component of convertible loan notes	(4,975)	(52,400)
Finance costs	12,158	14,506
Dividend income	(261)	(219)
Net (gain) loss on trading of listed securities	(3,077)	14,640
Depreciation	6,051	5,285
Impairment losses recognised in respect of trade receivables	39,817	63,691
Impairment losses recognised in respect of intangible assets	–	2,261
Impairment losses recognised in respect of available-for-sale financial assets	–	500
Impairment losses recognised in respect of amount due from an investee company	–	5,042
Written off of trade receivables	491	–
Written off of loan and other receivables	–	2,987
Written back of long outstanding other payables and accruals	(1,405)	–
Gain on disposal of available-for-sale investments	(159)	–
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 financial assets designated as fair value through profit or loss	(3,716)	289
Gain on disposal of plant and equipment	(70)	–
Written off of plant and equipment	60	291
(Gain) loss on disposal of subsidiaries	(3,437)	1,054
Reversal of impairment losses recognised in respect of trade receivables	(10,924)	(824)
Share of profits of associates	(2,428)	–
Share of profits of jointly-controlled entities	(1,094)	(157)
Interest income from financial institutions	(266)	(738)
Interest income from investment deposits	–	(8,594)
Operating cash flow before movements in working capital	(42,601)	(25,465)
(Increase) decrease in other non-current assets	(27)	857
(Increase) decrease in investment held for trading	(4,850)	7,524
Decrease in loan receivables	25,822	133,272
Decrease in trade receivables	28,094	27,833
Decrease in other receivables, deposits and prepayments	3,414	15,500
(Increase) decrease in bank balances and cash – trust	(13,811)	14,160
Increase (decrease) in trade payable, other payables and accruals	22,179	(13,903)
Dividend income	261	219
Cash from operations	18,481	159,997
Income taxes paid	(37)	(1,746)
NET CASH FROM OPERATING ACTIVITIES	18,444	158,251

	Notes	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Purchase of club membership debentures		–	(6,610)
Purchase of plant and equipment		(4,174)	(10,793)
Advance to an investee company		–	(38)
Net cash outflow in respect of the acquisitions of subsidiaries	41	–	(4,896)
Purchase of convertible instruments designated at financial assets at fair value through profit or loss		–	(58,500)
Net cash inflow (outflow) in respect of the disposal of subsidiaries	42	6,919	(347)
Interest income from investment deposit		–	8,594
Bank interest received		266	738
Proceeds on disposal of available-for-sale investments		1,599	–
Proceeds on disposal of plant and equipment		381	–
Investment in an associate	24	(5,973)	–
Advance to jointly-controlled entities		(37,692)	–
Repayment from a non-controlling Shareholder		–	500
Refund of investment deposits		–	26,619
NET CASH USED IN INVESTING ACTIVITIES		(38,674)	(44,733)
FINANCING ACTIVITIES			
Acquisition of non-controlling interests of subsidiaries		(2,918)	–
Proceeds from issue of new shares		–	49,500
Bank and other borrowings raised		–	37,000
Proceeds from issue of new shares upon exercise of share warrants		–	1,200
Capital contribution from a non-controlling interest Shareholder of a subsidiary		249	250
Repayment of guaranteed exchangeable notes		–	(77,800)
Repayment of bank and other borrowings		(1,374)	(81,672)
Interest paid		(10,661)	(8,865)
NET CASH USED IN FINANCING ACTIVITIES		(14,704)	(80,387)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(34,934)	33,131
Effect of foreign exchange rate changes		572	19
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		77,897	44,747
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash – general (note 33)		43,535	77,897

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

1. GENERAL

China Fortune Financial Group Limited (the "**Company**") 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 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 standards, amendments to standard and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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

The application of the amendments to HKFRSs in the current year 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)

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

Amendments to HKFRSs	Annual Improvement 2009-2011 Cycle[2]
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
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 Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretations Committee) – Interpretation ("**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.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 Presentation of Financial Statements, the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

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

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012 (Continued)

HKAS 1 requires an entity that changes in accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

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 offset of financial assets and financial liabilities 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 amendments to HKFRS 7 are effective 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.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification 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:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 accounting 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 general recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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. 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.

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

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. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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 five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Hong Kong (Standing Interpretation Committee) ("**HK(SIC)**") – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. 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 joint 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five standards for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application is permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these standards will have no significant impact on the amounts reported in the consolidated financial statements.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

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 of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

Amendment to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'.

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 items of other comprehensive income to be 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 same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared 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.

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 principal accounting policies are set out below.

Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Income and expenses 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 existing 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 through other reserve and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary 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 recognises 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 accumulated losses 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 an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 general 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.

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 acquiree (if any), the excess 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising 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. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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 consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's 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 recognised 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 an 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 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investments in associates. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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.

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

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity 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.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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)

Joint ventures (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.

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.

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)

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).

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 recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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 the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

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.

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 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 leases, 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)

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 (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefit costs

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

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 "loss before tax" 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, interests in associates and 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.

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 are 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)

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).

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

Cash and cash equivalents

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

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)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of three categories, including 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 debt instrument 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 debt instrument, 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 term; or
- it is a part of a portfolio of identified 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
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Financial assets at FVTPL are measured at fair value, with 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 and is included in net gain (loss) on trading of listed securities in the statement of comprehensive income. Fair value is determined in the manner disclosed in respective note.

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 an investee company/associates/jointly-controlled entities/a non-controlling interest Shareholder of a subsidiary, other receivables and deposits, and bank balances and cash – trust and general) are measured 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 an 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
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as trade 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 amounts due from an investee company/associates/jointly-controlled entities/a non-controlling interest Shareholder of a subsidiary, 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 amounts due from an investee company/associates/jointly-controlled entities/a non-controlling interest Shareholder of a subsidiary 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.

Financial liabilities and equity instruments

Debt 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 and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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, to the net carrying amount on initial recognition.

Interest expenses are recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

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

A financial liability other than a financial liability held for trading 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.

Other financial liabilities

Other financial liabilities (including trade payables, other payables, accruals, and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible loan notes contains liability, equity components and conversion derivative (Continued)

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, equity and derivative 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period/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 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 continue to be held in share options reserve/will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share warrants

Share warrants issued by the Group that will be settled by the exchange of a fixed amount of cash for a fixed number of the Group's own equity instruments are classified as an equity instrument.

For share warrants issued to subscribers of the Group's shares, the fair value of share warrants on the date of issue is recognised in equity (share warrants reserve). The share warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

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 with finite useful lives 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. When 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 (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2013, the carrying amount of goodwill is HK$3,994,000 (2012: HK$3,994,000). Details of the impairment testing on goodwill are set out in note 22.

Estimated impairment losses 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 2013, the carrying amount of trade receivables is approximately HK$153,096,000 (2012: HK$210,405,000), net of accumulated impairment losses of approximately HK$101,781,000 (2012: HK$72,989,000).

As at 31 March 2013, the carrying amount of loan receivables is approximately HK$29,448,000 (2012: HK$55,270,000) and no impairment loss has been recognised (2012: nil).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment losses recognised in respect of other receivables, deposits, amounts due from associates and jointly-controlled entities

The policy for impairment losses in respect of other receivables, deposits, amounts due from associates and jointly-controlled entities 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 2013, the carrying amount of other receivable and deposits is approximately HK$5,470,000 (2012: HK$5,785,000), and no impairment loss has been recognised (2012: net of accumulated impairment loss of HK$4,416,000). As at 31 March 2013, the carrying amount of amounts due from associates and jointly-controlled entities are approximately HK$58,403,000 (2012: nil) and HK$70,000,000 (2012: HK$32,308,000) respectively, and no impairment loss has been recognised (2012: nil).

Useful lives and impairment assessment of plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Plant and equipment are evaluated for possible impairment on a specific assets basis or in groups of similar assets, as applicable. This process requires management's evaluation of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the written-down is charged against the consolidated statement of comprehensive income. As at 31 March 2013, the carrying amount of plant and equipment is approximately HK$9,482,000 (2012: HK$11,588,000) and no impairment loss has been recognised (2012: nil).

Impairment of intangible assets

At the end of the reporting period, the Group performs testing on whether there has been impairment of intangible assets in accordance with the accounting policy as stated in Note 3. Impairment test 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 2013 and 2012, the carrying amount of intangible assets is nil, net of accumulated impairment losses of approximately HK$2,261,000.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of associates

The Group determines whether the interest in associates is impaired required an estimation of the future cash flows expected to arise and the expected dividend yield from the associates 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 2013, the carrying amount of interest in associates is approximately HK$14,183,000 and no impairment loss has been recognised.

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 2013, the carrying amount of interest in jointly-controlled entities is approximately HK$9,384,000 (2012: HK$8,238,000) and no impairment loss has been recognised (2012: 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 2013, the carrying amount of club membership debentures is approximately HK$6,610,000 (2012: HK$6,610,000) and no impairment loss has been recognised (2012: nil).

Fair value of the liability component of the convertible loan notes

The fair values of the liability component of the 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 loan notes is approximately HK$67,230,000 as at 31 March 2013 (2012: HK$71,470,000).

Fair value of the derivative component of the convertible loan notes

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. As at 31 March 2013, the carrying amounts of derivative asset component of convertible loan notes and derivative liability component of convertible loan notes are approximately HK$6,821,000 and nil respectively (2012: 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).

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 37, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the associated risks 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 2013 and 2012.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission (the "**SFC**") and are required to comply with certain minimum capital requirements according to the rules of SFC. Management monitors, on a daily basis, the subsidiaries' liquid capital to ensure it meets the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules, the range of liquid capital is from HK$100,000 to HK$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

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.

There is no non-compliance of the capital requirements imposed by the respective regulators during both years.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
– Loans and receivables (including cash and cash equivalents)	420,673	411,377
– Available-for-sale financial assets	8	1,448
– FVTPL		
• Financial assets held for trading	22,842	14,915
• Financial assets designated at FVTPL	6,821	65,241
Financial liabilities		
– Financial liabilities designated at FVTPL	–	7,359
– At amortised cost	194,821	169,265

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, investments held for trading, convertible instrument designated at fair value through profit or loss, trade receivables, loan receivables, amounts due from an investee company/associates/jointly-controlled entities/a non-controlling Shareholder of a subsidiary, other receivables and deposits, bank balances and cash – trust and general, bank and other borrowings, trade payables, other payables and accruals, 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.

Currency risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to foreign currency denominated other receivables, bank balances, convertible instruments designated as financial assets at FVTPL, other payables and accruals. 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("**RMB**")	**1,097**	15,353	**–**	–
United States Dollars ("**USD**")	**77,955**	84,206	**667**	–

More than 82% (2012: 80%) and 99% (2012: all) 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 2013. 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 the directors of the Company, the foreign currency sensitivity does not give additional value in view of insignificant movement in the USD/HK$ exchange rates.

If a 5% (2012: 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$46,000 (2012: HK$641,000). The sensitivity analysis includes only outstanding foreign currency denominated monetary items.

6. FINANCIAL INSTRUMENTS (Continued)

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

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.

The Group's cash flow interest rate risk is mainly relating to the fluctuation of Hong Kong prime rate ("**prime rate**") and Hong Kong Interbank Offered Rate ("**HIBOR**") (the prime rate and HIBOR 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:

	2013 HK$'000	2012 HK$'000
Assets		
– Trade receivables		
– cash clients	1,603	4,473
– margin clients	141,320	203,283
– Bank balances and cash – general	43,535	69,251
Liabilities		
– Bank and other borrowings	3,000	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 2013, if the interest rate of bank and other borrowings, trade receivables from cash and margin clients and bank balances and cash had been 100 (2012: 100) basis point higher/lower, the Group's loss for the year would decrease/increase by approximately HK$1,532,000 (2012: decrease/increase in loss for the year of approximately HK$2,287,000).

6. FINANCIAL INSTRUMENTS (Continued)

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

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% (2012: 5%) higher/lower:

- Loss for the year ended 31 March 2013 would decrease/increase by approximately HK$954,000 as a result of the changes in fair value of investments held for trading (2012: decrease/increase by approximately HK$623,000).

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
2013					
Non-derivative financial liabilities					
Trade payables, other payables and accruals	**74,637**	**–**	**–**	**74,637**	**74,637**
Bank and other borrowings	**53,212**	**–**	**–**	**53,212**	**52,954**
Convertible loan notes	**6,446**	**45,596**	**33,473**	**85,515**	**67,230**
	134,295	**45,596**	**33,473**	**213,364**	**194,821**
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

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 March 2013, 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 of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spreading across diverse industries.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% (2012: 100%) of the total trade receivables as at 31 March 2013.

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

As at 31 March 2013, the Group had credit risk on amounts due from associates and jointly controlled entities of approximately HK$58,403,000 (2012: nil) and HK$70,000,000 (2012: HK$32,308,000) respectively. Regular review on the financial position of associates and jointly controlled entities is performed. The review focus on the financial background and current abilities to pay, and take into account information specific to associates and jointly controlled entities as well as pertaining to the environment in which associates and jointly controlled entities operate.

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. For share warrants, the fair value is estimated using option pricing mode.

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate 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 (Continued)

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 2013				
Financial assets at FVTPL				
– Listed securities listed in Hong Kong	22,842	–	–	22,842
– Derivative component of convertible loan notes	–	6,821	–	6,821
	22,842	6,821	–	29,663
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

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

	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 2011	2,106
Total loss in profit or loss	(289)
Purchases	58,500
At 31 March 2012	60,317
Total profit in profit or loss	3,716
Transfers out of level 3 (note 31)	(64,033)
At 31 March 2013	–

Total profit for the year was included in the consolidated statement of comprehensive income 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 from continuing operations is as follows:

	2013 HK$'000	2012 HK$'000
Dividend income	**261**	219
Income from securities brokerage business	**9,253**	14,616
Interest income from money lending business	**9,472**	7,841
Margin interest income from securities brokerage business	**15,996**	33,395
Net gain (loss) on trading of listed securities	**3,346**	(13,916)
Other consultancy service and insurance brokerage income	**1,988**	2,871
Service income from corporate finance	**6,494**	2,328
	46,810	47,354

8. SEGMENT INFORMATION

The Group's operating segment, based on information reported to the board of directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focus on the type of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 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.

Other operation includes consultancy service and insurance brokerage income.

The futures brokerage business, which was included in broking and margin financing segment, was discontinued during the year ended 31 March 2012. The segment information reported on the next pages does not include any amounts for these discontinued operation, which are described in more details in note 16.

Information regarding the above segments is reported below.

8. SEGMENT INFORMATION (Continued)

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

	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Inter-segment elimination		Consolidated	
Continuing operations	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Turnover														
External turnover	25,249	48,011	3,607	(13,697)	6,494	2,328	9,472	7,841	1,988	2,871	–	–	46,810	47,354
Inter-segment turnover (note)	22	–	–	–	41	–	–	–	4,138	3,519	(4,201)	(3,519)	–	–
	25,271	48,011	3,607	(13,697)	6,535	2,328	9,472	7,841	6,126	6,390	(4,201)	(3,519)	46,810	47,354
Segment (loss) profit	(24,410)	(40,719)	2,729	(13,697)	(4,158)	(738)	2,629	5,841	(7,207)	(5,946)	–	–	(30,417)	(55,259)
Unallocated operating income													1,991	18,919
Unallocated operating expense													(44,012)	(67,746)
Change in fair value of financial assets designated as fair value through profit or loss													3,716	(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													4,975	52,400
Gain (loss) on disposal of subsidiaries													430	(1,054)
Share of profits of associates													2,428	–
Share of profits of jointly-controlled entities													1,094	157
Finance costs													(12,158)	(14,506)
Loss before tax													(71,953)	(64,009)

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 described in note 3. Segment (loss) profit represents the (loss) profit attributable to each segment without allocation of central administration expenses, directors' salaries, 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, gain (loss) on disposal of subsidiaries, share of profits of associates, 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	2013 HK$'000	2012 HK$'000
Broking and margin financing	**200,254**	248,080
Proprietary trading	**22,842**	14,915
Corporate finance	**5,081**	6,165
Money lending	**29,448**	55,270
Others	**684**	344
Total segment assets	**258,309**	324,774
Assets relating to discontinued operation	**–**	108,512
Unallocated	**236,222**	199,693
Consolidated total assets	**494,531**	632,979
Segment liabilities		
Broking and margin financing	**73,917**	38,009
Corporate finance	**117**	142
Others	**603**	27
Total segment liabilities	**74,637**	38,178
Liabilities relating to discontinued operation	**–**	94,976
Unallocated	**120,904**	139,203
Consolidated total liabilities	**195,541**	272,357

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

- all assets are allocated to operating 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 associates/jointly-controlled entities/an investee company, certain other receivables, deposits and prepayments, derivative component of convertible loan notes, convertible instruments designated as financial assets at fair value through profit or loss and bank balances and cash – general; and

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

8. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March

Continuing operations	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Unallocated		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Amounts included in the measure of segment (loss) profit or segment assets:														
Additions to non-current assets (note)	540	111	–	–	11	3,994	–	–	415	–	14,811	25,286	15,777	29,391
Depreciation	523	854	–	–	17	24	–	–	21	13	5,348	3,846	5,909	4,737
Reversal of impairment losses on trade receivables	(10,924)	–	–	–	–	–	–	–	–	–	–	–	(10,924)	–
Written off of														
– Trade receivables	–	–	–	–	491	–	–	–	–	–	–	–	491	–
– Loan receivables	–	–	–	–	–	–	–	2,000	–	–	–	–	–	2,000
Impairment losses on trade receivables	39,817	62,967	–	–	–	–	–	–	–	–	–	–	39,817	62,967
(Gain) loss on disposal of plant and equipment	–	–	(127)	–	–	–	–	–	57	–	–	–	(70)	–
Written off of plant and equipment	–	–	–	–	–	–	–	–	–	–	60	291	60	291

Note: Non-current assets exclude financial instruments.

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March

	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Unallocated		Consolidated	
Continuing operations	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment (loss) profit or segment assets:														
Interests in associates	–	–	–	–	–	–	–	–	–	–	14,183	–	14,183	–
Interests in jointly-controlled entities	–	–	–	–	–	–	–	–	–	–	9,384	8,238	9,384	8,238
Interest income from														
– Financial institution and loan receivables	(53)	(12)	–	–	–	–	(2)	–	–	–	(211)	(726)	(266)	(738)
– Investment deposits	–	–	–	–	–	–	–	–	–	–	–	(8,594)	–	(8,594)
Change in fair value of financial assets designated as fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	(3,716)	289	(3,716)	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	–	–	–	–	–	–	–	–	–	–	(4,975)	(52,400)	(4,975)	(52,400)
(Gain) loss on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(430)	1,054	(430)	1,054
Gain on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	–	–	(159)	–	(159)	–

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March

Continuing operations	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Unallocated		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment (loss) profit or segment assets (Continued):														
Impairment losses on														
– Available-for-sale financial assets	–	–	–	–	–	–	–	–	–	–	–	500	–	500
– Intangible assets	–	–	–	–	–	–	–	–	–	–	–	2,261	–	2,261
– Amount due from an investee company	–	–	–	–	–	–	–	–	–	–	–	5,042	–	5,042
Written off of other receivable	–	–	–	–	–	–	–	–	–	–	–	987	–	987
Written back of long outstanding other payables and accruals	–	–	–	–	–	–	–	–	–	–	(1,405)	–	(1,405)	–
Share of profits of associates	–	–	–	–	–	–	–	–	–	–	(2,428)	–	(2,428)	–
Share of profits of jointly-controlled entities	–	–	–	–	–	–	–	–	–	–	(1,094)	(157)	(1,094)	(157)
Finance costs	1,592	2,447	–	–	–	–	–	–	–	–	10,566	12,059	12,158	14,506
Income tax expense	–	168	–	–	–	–	–	–	–	–	–	284	–	452

Information about major customers

For both years ended 31 March 2013 and 2012, 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	2013 HK$'000	2012 HK$'000
Gain on disposal of available-for-sale financial assets	159	–
Gain on disposal of plant and equipment	70	–
Handling charges	684	248
Interest income from financial institutions	266	738
Interest income from investment deposits (note)	–	8,594
Loan arrangement fee income	315	–
Net exchange gain	–	6,096
Commission income	–	1,200
Referral income	–	3,055
Reversal of impairment losses recognised in respect of trade receivables	10,924	–
Written back of long outstanding other payables and accruals	1,405	–
Sundry income	733	188
	14,556	20,119

Note: 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.

10. IMPAIRMENT LOSSES

Continuing operations	2013 HK$'000	2012 HK$'000
Impairment losses on:		
Intangible assets	–	2,261
Available-for-sale financial assets	–	500
Trade receivables	39,817	62,967
Amount due from an investee company	–	5,042
	39,817	70,770

11. FINANCE COSTS

Continuing operations	2013 HK$'000	2012 HK$'000
Interest on bank and other borrowings	5,814	8,865
Imputed interest expenses on convertible loan notes (Note 37)	6,344	5,641
	12,158	14,506

12. LOSS BEFORE TAX

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

	2013 HK$'000	2012 HK$'000
Auditor's remuneration	790	750
Total staff costs:		
– directors' remuneration (note 14)	12,810	12,392
– salaries and allowance	30,385	28,206
– retirement benefit scheme contributions (excluding directors)	785	659
	43,980	41,257
Loss on written off of plant and equipment	60	291
Written off of trade receivables	491	–
Written off of other receivables	–	987
Written off of loan receivables	–	2,000
Operating lease in respect of rented premises	15,482	17,611

13. INCOME TAX EXPENSE

Continuing operations	2013 HK$'000	2012 HK$'000
Current taxation		
Hong Kong Profits Tax		
– Provision for the year	–	258
– Under-provision in prior years	–	194
	–	452

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

13. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 March 2013.

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:

	2013 HK$'000	2012 HK$'000
Loss before tax from continuing operations	(71,953)	(64,009)
Tax at domestic income tax rate	(11,872)	(10,562)
Tax effect of expenses not deductible for tax purpose	2,978	6,490
Tax effect of income not taxable for tax purpose	(2,188)	(12,975)
Tax effect of share of results of associates	(401)	–
Tax effect on share of profits of jointly-controlled entities	(181)	(26)
Tax effect of tax losses not recognised	11,664	17,331
Under-provision in prior years	–	194
Tax for the year	–	452

At 31 March 2013, the Group had estimated unused tax losses of approximately HK$125,432,000 (2012: HK$54,741,000) available for offset against future profits. Tax losses may be carried forward indefinitely.

Tax losses of HK$1,953,000 (2012: HK$32,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. The remaining tax losses of approximately HK$123,479,000 (2012: HK$54,709,000) 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, associates and jointly-controlled entities from 1 January 2008 onwards (the "**Post-2008 Earnings**"). As at 31 March 2013 and 2012, 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 (2012: nil) as at 31 March 2013.

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(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 2013				
Executive directors:				
ZHANG Min	120	7,865	15	8,000
NG Cheuk Fan Keith	120	1,627	15	1,762
HON Chun Yu	120	705	15	840
XIA Yingyan	120	705	15	840
Non-executive directors:				
WONG Kam Fat, Tony	360	–	–	360
WU Ling	360	–	–	360
Independent non-executive directors:				
LAM Ka Wai, Graham	216	–	–	216
NG Kay Kwok	216	–	–	216
TAM B Ray Billy	216	–	–	216
	1,848	10,902	60	12,810

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

		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	475	6,518	10	7,003
NG Cheuk Fan Keith	120	1,060	12	1,192
YEUNG Kwok Leung[1]	100	1,468	11	1,579
HON Chun Yu	153	678	12	843
XIA Yingyan	143	678	9	830
Non-executive directors:				
WONG Kam Fat, Tony	360	–	–	360
WU Ling	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

[1] Resigned on 24 February 2012

There was no arrangement under which directors waived or agreed to waive any emoluments during the two years ended 31 March 2013 and 2012. 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' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2012: three) highest paid individuals were as follows:

	2013	2012
	HK$'000	HK$'000
Salaries, allowances and other benefits in kind	**5,366**	5,493
Retirement benefits scheme contributions	**44**	30
	5,410	5,523

The emoluments of the three (2012: three) highest paid employees fall in the following bands:

	Number of individuals	
	2013	2012
Emoluments bands		
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
	3	3

During the two years ended 31 March 2013 and 2012, 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

No dividend was paid or proposed during the year ended 31 March 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

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

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 Futures Limited ("**EFL**") and its subsidiaries (collectively referred to as ("**EFL Group**"), which was engaged in the futures brokerage business and included in broking and margin financing segment, to New Century Excalibur Holdings Limited, an independent third party to the Group, for a cash consideration of HK$15,880,000.

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

The profit (loss) for the period/year from discontinued operation are as follows:

	1.4.2012- 31.5.2012 HK$'000	1.4.2011- 31.3.2012 HK$'000
Loss on discontinued operation for the period/year	(420)	(5,701)
Gain on disposal of subsidiaries	3,007	–
	2,587	(5,701)

The results of discontinued operation were as follows:

	1.4.2012- 31.5.2012 HK$'000	1.4.2011- 31.3.2012 HK$'000
Turnover	7,835	26,609
Cost of sales and services rendered	(1,996)	(10,846)
Gross profit	5,839	15,763
Other revenue	88	1,699
Net loss on trading of listed securities	(269)	(724)
Impairment losses	–	(724)
Other operating and administrative expenses	(6,078)	(21,715)
Loss before tax from discontinued operation	(420)	(5,701)
Income tax expense	–	–
Loss for the period/year	(420)	(5,701)

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

	1.4.2012- 31.5.2012 HK$'000	1.4.2011- 31.3.2012 HK$'000
Loss for the period/year from discontinued operation include the following:		
Depreciation	142	548
Impairment losses on trade receivables	–	724
Reversal of impairment losses on recognised in respect of trade receivables	–	(824)
Operating lease in respect of rented premises	1,425	5,611
Staff costs	1,033	6,912
Contribution to retirement benefit scheme	30	290

The cash flows of the discontinued operation are as follows:

	1.4.2012- 31.5.2012 HK$'000	1.4.2011- 31.3.2012 HK$'000
Net cash inflow (outflow) from operating activities	3,649	(2,999)
Net cash inflow from investing activities	70	38
Net cash (outflow) inflow from financing activities	(3,104)	3,911
Total cash inflow	615	950

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

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

The carrying amounts of assets and liabilities of EFL Group at the date of disposal are disclosed in note 42. As at 31 March 2012, an amount of approximately HK$28,000 relating to the disposal group classified as held for sale was recognised in other comprehensive income and accumulated in equity.

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	2013 HK$'000	2012 HK$'000
Loss for the purpose of basic loss per share	(69,002)	(69,602)
Change in fair value of derivative component of convertible loan notes	–	(52,862)
Loss for the purpose of diluted loss per share	(69,002)	(122,464)

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	2013 '000	2012 '000
Weighted average number of ordinary shares for the purpose of computation of basic loss per share	3,166,086	3,037,686
Options to subscribe for the optional convertible loan notes	–	800,000
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	3,166,086	3,837,686

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:

	2013 HK$'000	2012 HK$'000
Loss for the year attributable to owners of the Company	**(69,002)**	(69,602)
Less: profit (loss) for the period/year from discontinued operation (note 16)	**2,587**	(5,701)
Loss for the year for the purpose of computation of basic loss per share from continuing operations	**(71,589)**	(63,901)
Change in fair value of derivative component of convertible loan notes	**–**	(52,862)
Loss for the purpose of diluted loss per share	**(71,589)**	(116,763)

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

From discontinued operation

Basic and diluted earnings per share for the discontinued operation for the year ended 31 March 2013 was HK$0.08 cents per share based on the profit for the year from the discontinued operation 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 year ended 31 March 2013.

Basic and diluted loss per share for the discontinued operation for the year ended 31 March 2012 was HK$0.19 cents and HK$0.15 per share respectively, based on the loss for the year from the discontinued operation attributable to the owners of the Company of approximately HK$5,701,000.

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 2011	3,464	180	4,575	7,475	15,694
Additions through acquisition of a subsidiary	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 and 1 April 2012	7,998	1,523	1,129	8,649	19,299
Additions	415	–	36	3,723	4,174
Disposal	(64)	(123)	(33)	(1,027)	(1,247)
Written off	(80)	–	–	(140)	(220)
At 31 March 2013	8,269	1,400	1,132	11,205	22,006
ACCUMULATED DEPRECIATION					
At 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 and 1 April 2012	1,945	298	650	4,818	7,711
Provided for the year	3,017	386	241	2,265	5,909
Eliminated on disposal	(14)	(123)	(25)	(774)	(936)
Eliminated on written off	(20)	–	–	(140)	(160)
At 31 March 2013	4,928	561	866	6,169	12,524
CARRYING VALUES					
At 31 March 2013	3,341	839	266	5,036	9,482
At 31 March 2012	6,053	1,225	479	3,831	11,588

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 2011	2,261	480	20,000	22,741
Reclassified as assets held for sale	–	(480)	–	(480)
At 31 March 2012, 1 April 2012 and 31 March 2013	2,261	–	20,000	22,261
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2011	–	–	20,000	20,000
Impairment losses	2,261	–	–	2,261
At 31 March 2012, 1 April 2012 and 31 March 2013	2,261	–	20,000	22,261
CARRYING VALUES				
At 31 March 2012 and 2013	–	–	–	–

All the 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.

19. INTANGIBLE ASSETS (Continued)

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 and 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 2013 and 2012 and the directors of the Company expected that the business will not be started in the near future, therefore, the carrying amount of the license right was fully impaired during the year ended 31 March 2012. The impairment loss of approximately HK$2,261,000 was recognised during the year ended 31 March 2012 (2013: nil).

Trading right

The trading right was reclassified as assets held for sale as at 31 March 2012 and being disposed of through the disposal of EFL Group as stated in note 16. The directors of the Company considered that the recoverable amount of the trading right exceeded its carrying values as at 31 March 2012, no impairment loss was recognised.

20. CLUB MEMBERSHIP DEBENTURES

	2013 **HK$'000**	2012 HK$'000
Unlisted club membership debentures	**6,610**	6,610

21. OTHER NON-CURRENT ASSETS

	2013 **HK$'000**	2012 HK$'000
At cost:		
Deposits paid to the Stock Exchange		
– Compensation fund deposits	**50**	50
– Fidelity fund deposits	**50**	50
– Stamp duty deposits	**30**	75
Deposits paid to Hong Kong Securities Clearing Company Limited		
– Guarantee fund contribution	**50**	50
– Admission fees	**50**	50
	230	275

22. GOODWILL

	HK$'000
Cost	
At 1 April 2011	–
Arising on acquisition of a subsidiary (note 41)	3,994
At 31 March 2012 and 2013	3,994
Carrying value	
At 31 March 2012 and 2013	3,994

During the year ended 31 March 2012, the Group acquired Fortune Financial Capital with goodwill of approximately HK$3,994,000. Details are set out in note 41.

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 2013 (2012: nil).

Impairment testing on goodwill

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 11.39% (2012: 13.95%). Zero growth rate is applied to extrapolate the cash flows beyond five-year period during the year ended 31 March 2013 and 2012. 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 net profit 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

	2013 HK$'000	2012 HK$'000
Unlisted securities		
Equity securities, at cost less impairment loss (Note)	8	1,448

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

During the year ended 31 March 2013, the Group disposed of certain unlisted equity securities to an independent third party with carrying amount of HK$1,440,000 which has been carried at cost less impairment before the disposal. A gain on disposal of HK$159,000 has been recorded during the year.

During the year ended 31 March 2012, certain of the Group's available-for-sale unlisted equity securities were determined to be impaired based on the financial information of the investee companies, accordingly impairment loss of approximately HK$500,000 had been recognised for the year ended 31 March 2012. The directors of the Company were of the opinion that the impairment made was based on their best estimation with reference to the circumstances of the investee companies.

24. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	2013 HK$'000
Cost of unlisted investments in associates	11,603
Share of post-acquisition profits and other comprehensive income	2,580
	14,183
Amounts due from associates	58,403

The amounts due from associates are unsecured, interest-free and repayable on demand. The amount is denominated in US$.

On 7 July 2012, Main Dynasty international Limited, a wholly-owned subsidiary of the Group, entered into an agreement with three independent parties to set up a sino-foreign joint venture company, 北京英邁金源公關顧問有限公司 ("**英邁金源**"). The Group injected RMB4,800,000 (equivalent to approximately HK$5,973,000) to 英邁金源, which represented 48% equity interests in 英邁金源.

On 22 August 2012, Gold Kingdom Limited, a wholly-owned subsidiary of the Company ("**Gold Kingdom**") exercised its right to convert the exchangeable note at a fair value of HK$64,033,000) into 25% equity interests in China Runking and a interest-free on-demand loan of US$7,500,000 (equivalent to approximately HK$58,403,000) due from China Runking to Jovial Lead Limited ("**Jovial Lead**").

24. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (Continued)

Details of the associates as at 31 March 2013 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 2013	Principal activity
China Runking Financing Group Holdings Limited ("**China Runking**") (formerly known as Media Eagle Limited)	Limited liability company	Hong Kong	Ordinary shares	25%	Investment holding
City Eagle Limited	Limited liability company	Hong Kong	Ordinary shares	25%	Investment holding
Chongqing Liangjiang New Area Small Loan Business Limited*	Limited liability company	The PRC	Registered capital	25%	Provision of small loan financing services in Chongqing of the PRC
英邁金源	Limited liability company	The PRC	Registered capital	48%	Provision of business consultancy services

* The English transliteration of the Chinese name in this annual report, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

24. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (Continued)

Included in the cost of investment in associates is goodwill of approximately HK$4,841,000 arising on the acquisition of associates during the year ended 31 March 2013.

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

	2013 HK$'000
Total assets	277,442
Total liabilities	(246,482)
Net assets	30,960
Group's share of net assets of associates	9,342
Total revenue	20,643
Total profit for the period	11,769
Total other comprehensive income	429
Group's share of profits and other comprehensive income of associates for the period	2,580

25. INTERESTS IN JOINTLY-CONTROLLED ENTITIES/AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES

	2013 HK$'000	2012 HK$'000
Cost of unlisted investments in jointly-controlled entities	8,077	8,077
Share of post-acquisition profits and other comprehensive income	1,307	161
	9,384	8,238
Amounts due from jointly-controlled entities	70,000	32,308

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

25. INTERESTS IN JOINTLY-CONTROLLED ENTITIES/AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES (Continued)

Details of the jointly-controlled entities as at 31 March 2013 and 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		Principal activity
				2013	2012	
Measure Up International Limited ("**Measure Up**")	Limited liability company	British Virgin Islands (the "**BVI**")	Ordinary shares	35%	35%	Investment holding
Lucky Target Property Agency Limited	Limited liability company	Hong Kong	Ordinary shares	35%	35%	Investment holding
Rongtong Finance Lease (Shanghai) Company Limited*	Limited liability company	PRC	Registered share capital	35%	35%	Provision of finance lease service

* The English transliteration of the Chinese name in this annual report, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

The above unlisted investments in jointly-controlled entities represented the 35% equity interest in Measure Up and its subsidiaries ("**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 is regarded as jointly-controlled entities of the Group.

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

25. INTERESTS IN JOINTLY-CONTROLLED ENTITIES/AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES (Continued)

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:

	2013 HK$'000	2012 HK$'000
Current assets	216,514	129,133
Non-current assets	36,335	24,760
Current liabilities	(246,139)	(150,482)
Non-current liabilities	(23)	–
Group's share of net assets of jointly-controlled entities	2,340	1,194
Income recognised in profit or loss	14,643	1,565
Expenses recognised in profit or loss	11,516	1,117
Other comprehensive income	149	11
Group's share of profits and other comprehensive income of jointly-controlled entities	1,146	161

26. INVESTMENTS HELD FOR TRADING

	2013 HK$'000	2012 HK$'000
Listed investments – Equity securities listed in Hong Kong	22,842	14,915

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

27. TRADE RECEIVABLES

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

	2013 HK$'000	2012 HK$'000
Trade receivables from the business of dealing in securities:		
– Cash clients	**8,207**	6,680
– Hong Kong Securities Clearing Company Ltd.	**2,846**	323
– Margin clients	**242,370**	273,965
Trade receivables from other businesses	**1,454**	2,426
	254,877	283,394
Less: Impairment losses recognised	**(101,781)**	(72,989)
	153,096	210,405

The settlement terms of trade receivable, except for secured margin clients, arising from the business of dealing in securities are two days after trade date. The Group allows an average credit period of 30 days to its trade customers of other businesses.

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 presented based on the invoice date (excluded margin clients), net of impairment losses, at the end of each reporting period based on the invoice date which approximated the respective revenue recognition dates was as follows:

	2013 HK$'000	2012 HK$'000
Less than 30 days	**10,074**	2,375
31 to 60 days	**203**	305
61 to 90 days	**440**	60
Over 90 days	**1,059**	4,382
	11,776	7,122

Trade receivables to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$335,177,000 (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. The trade receivables from cash and margin customers are repayable on demand and bear interest at commercial rates. As at 31 March 2013, included in the total trade receivables, approximately HK$142,192,000 (2012: HK$207,756,000) were interest bearing whereas approximately HK$10,904,000 (2012: HK$2,649,000) were non-interest bearing. There is no repledge of the collateral from margin clients in both years.

27. TRADE RECEIVABLES (Continued)

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$2,909,000 (2012: HK$6,532,000) which were past due as at 31 March 2013 for which the Group has not provided for impairment loss.

In respect of trade receivables (excluded margin clients) which are past due but not impaired at the respective end of reporting period, the aged analysis (subsequent to the settlement date) are as follows:

	2013 **HK$'000**	2012 HK$'000
Less than 30 days	**1,251**	2,323
31 to 60 days	**162**	305
61 to 90 days	**262**	60
Over 90 days	**1,234**	3,844
	2,909	6,532

Trade receivables from cash clients 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$39,470,000 over these balances (2012: HK$111,356,000).

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

	2013 **HK$'000**	2012 HK$'000
Balance at beginning of the year	**72,989**	16,495
Amounts written off as uncollectible	**(101)**	–
Reclassified as assets held for sale	**–**	(6,373)
Reversal of impairment loss recognised	**(10,924)**	(824)
Recognised impairment loss during the year	**39,817**	63,691
Balance at end of the year	**101,781**	72,989

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$101,781,000 (2012: HK$72,989,000) were individually impaired trade debtors who were in financial difficulties. During the year ended 31 March 2013, trade receivables of approximately HK$491,000 (2012: nil) were directly written off due to the directors of the Company considered that the recoverability of the receivables is remote.

28. LOAN RECEIVABLES

	2013 HK$'000	2012 HK$'000
Secured loan receivables	14,471	10,016
Unsecured loan receivables	14,977	45,254
	29,448	55,270

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

The unsecured loan receivables carried at 25% (2012: 20% to 25%) interest rate per annum. All unsecured loan receivables are guaranteed by a substantial Shareholder and/or an independent third party as at 31 March 2013.

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:

	2013 HK$'000	2012 HK$'000
Less than 30 days	452	45,254
31 to 60 days	9,132	–
61 to 90 days	76	–
Over 90 days	19,788	10,016
	29,448	55,270

Included in the Group's loan receivables balance are debtors with aggregate carrying amount of approximately HK$4,810,000 (2012: nil) which were past due as at 31 March 2013 for which the Group has not provided for impairment loss.

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

During the year ended 31 March 2012, unsecured loan receivables to an independent third party of HK$2,000,000 was written off due to the directors of the Company considered that the recoverability of the receivables was remote.

29. AMOUNT DUE FROM AN INVESTEE COMPANY

	2013 HK$'000	2012 HK$'000
Amount due from an investee company	5,042	5,042
Less: impairment losses recognised	(5,042)	(5,042)
	–	–

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

During the year ended 31 March 2012, the directors of the Company reviewed the financial positions of the investee company and considered 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:

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	5,042	–
Recognised impairment loss during the year	–	5,042
Balance at end of the year	5,042	5,042

30. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 HK$'000	2012 HK$'000
Other receivables	650	5,114
Deposits paid	4,820	5,087
Prepayments	304	781
	5,774	10,982
Less: Impairment losses recognised	–	(4,416)
	5,774	6,566
Less: amount shown under non-current portion	(3,345)	(3,345)
	2,429	3,221

30. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As at 31 March 2013, amount of approximately HK$733,000 (2012: HK$1,998,000) was denominated in RMB.

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

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	4,416	4,431
Amounts written of as uncollectible	(4,416)	–
Disposal of subsidiaries	–	(15)
Balance at end of the year	–	4,416

As at 31 March 2012, 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 (2013: nil). During the year ended 31 March 2012, other receivables of approximately HK$987,000 (2013: nil) were directly written off due to the directors of the Company considered that the recoverability of the receivables is remote.

Included in the deposits paid of approximately HK$3,907,000 (2012: HK$4,230,000) were the rental deposits which were paid to independent third parties.

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

	2013 HK$'000	2012 HK$'000
Exchangeable note designated as FVTPL	–	60,317

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 and 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. On 22 August 2012, the Group obtained 25% equity interests of China Runking through exercising the exchangeable notes issued by Jovial Lead. China Runking and its subsidiaries are engaged in provision of loan financing services in the PRC.

The Group has designated the Exchangeable Note as financial asset at FVTPL as at 31 March 2012.

A fair value gain of approximately HK$3,716,000 was recorded for the year ended 31 March 2013 (2012: loss of HK$289,000).

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

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 22 August 2012 and 31 March 2012 are as follows:

	22 August 2012	**31 March 2012**
Spot price	US$67,246	US$2,907
Conversion price	US$300,000	US$300,000
Volatility	9.92%	21.19%
Dividend yield	0%	0%
Option life (years)	0.20	0.59
Risk free rate	0.10%	0.14%

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

	2013 **HK$'000**	2012 HK$'000
Bank balances and cash – general	**43,535**	69,251
Add: Bank balances and cash – general classified as assets held for sale	**–**	8,646
Cash and cash equivalents	**43,535**	77,897

Bank balances and cash held by the Group amounting to approximately HK$43,535,000 (2012: HK$77,897,000) 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 0.35% (2012: 0.01% to 0.05%) per annum.

As at 31 March 2013, the Group had bank balances of approximately HK$19,552,000 (2012: HK$23,889,000) and HK$364,000 (2012: HK$13,355,000) which were originally denominated in USD and RMB respectively.

34. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2013 HK$'000	2012 HK$'000
Trade payables from the business of dealing in securities:		
– margin and cash clients	**68,262**	35,929
Other payables and accruals	**6,375**	7,538
	74,637	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.

As at 31 March 2013, the Group had other payables and accruals of approximately HK$667,000 (2012: nil) which were denominated in USD.

35. BANK AND OTHER BORROWINGS

	2013 HK$'000	2012 HK$'000
Unsecured bank borrowings repayable within 1 year	**3,000**	3,000
Unsecured other borrowings repayable within 1 year	**49,954**	51,328
	52,954	54,328

All borrowings are denominated in HK$.

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

	2013 HK$'000	2012 HK$'000
Fixed-rate borrowings	**49,954**	51,328
Variable-rate borrowings	**3,000**	3,000
	52,954	54,328

35. BANK AND OTHER BORROWINGS (Continued)

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

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	8% – 10%	8% – 10%
Variable-rate borrowings (note)	3.6%	3.6%

Note: Such borrowing was subject to variable interest rate at HIBOR plus 3.5%.

36. GUARANTEED EXCHANGEABLE NOTES

Pursuant to a subscription agreement entered into between Fortune Financial (Holdings) Limited ("**Fortune Financial**"), a wholly-owned subsidiary of the Company, and an independent third party (the "**Subscriber**") on 30 July 2010, Fortune Financial issued, and the Subscriber subscribed for, notes (the "**Guaranteed Exchangeable Notes**") in an aggregate principal of US$10,000,000 (equivalent to HK$77,800,000). The Guaranteed Exchangeable Notes are denominated in US$. The Guaranteed Exchangeable Notes entitle the holder to exchange them into ordinary shares of China Eco-Farming Limited ("**China Eco-Farming**"), a company listed on the Growth Enterprise Market of the Stock Exchange 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.

36. GUARANTEED EXCHANGEABLE NOTES (Continued)

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 during the year ended 31 March 2012.

The significant inputs to the models were as follows:

	27 July 2011	**19 May 2011**
Spot price	HK$0.078	HK$0.125
Exchange price	HK$0.620	HK$0.620
Risk free rate	0.237%	0.57%
Expected option period (year)	1.997	2.186
Expected volatility	70.42%	70.85%

The movement of the Guaranteed Exchangeable Note is as follows:

	HK$'000
At 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 and 2013	–

37. CONVERTIBLE LOAN NOTES

On 19 February 2009, the Company issued convertible notes (the "**2012 Convertible Note A**") 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 A 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 A 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 A 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 A remained outstanding and no new ordinary shares of the Company can be converted by the holders.

On 30 June 2009, the Company issued convertible notes (the "**2012 Convertible Note B**") 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 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 component is 8.00%. On 29 June 2012, the 2012 Convertible Note B with an aggregate principal amount HK$32,000,000 was expired and reclassified to amount due to One Express Group Limited ("**One Express**"), a company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of PME Group Limited. On 6 February 2013, the Group and One Express entered into a subscription agreement in respect of the issue of convertible notes (the "**2016 Convertible Note G**"), which was used to offset the amount due to One Express by the Company of HK$32,000,000. No 2012 Convertible Note B was converted into ordinary shares of the Company during the year ended 31 March 2013.

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 C**") and HK$9,800,000 (the "**2012 Convertible Note D**") in respect of the acquisition of the additional 49% equity interest in ESL and Excalibur Futures Limited ("**EFL**") respectively. The 2012 Convertible Note C and 2012 Convertible Note D 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 C and 2012 Convertible Note D outstanding on maturity date shall be redeemed by the Company at its principal amount outstanding in HK$.

The 2012 Convertible Note C 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. The 2012 Convertible Note D 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.

37. CONVERTIBLE LOAN NOTES (Continued)

The effective interest rates of the liability component of 2012 Convertible Note C and 2012 Convertible Note D are both 8.00%. The 2012 Convertible Notes C 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 C remained outstanding and no new ordinary shares of the Company can be converted. The 2012 Convertible Notes D 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 D was outstanding and no new ordinary shares of the Company can be converted.

On 7 September 2009, the Company issued a convertible notes (the "**2012 Convertible Note E**") 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 E outstanding on maturity date shall be redeemed by the Company at its principal amount outstanding 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 E of HK$9,760,000 was converted into 61,000,000 ordinary shares on 1 February 2011. The 2012 Convertible Note E 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 E remained outstanding and no new ordinary shares of the Company can be converted.

On 29 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 F**") in respect of the acquisition of the 35% equity interest in Measure Up. The 2014 Convertible Note F 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 F 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 F in whole at the outstanding principal amount and accrued interest. No 2014 Convertible Note F was converted into ordinary shares of the Company during the year ended 31 March 2012. As at 31 March 2013, the 2014 Convertible Note F with an aggregate principal amount of approximately HK$40,385,000 remained outstanding (2012: HK$40,385,000) and it can be converted by the holder into 201,925,000 new ordinary shares of the Company (2012: 201,925,000) of HK$0.10 each at a conversion price of HK$0.20 per share.

37. CONVERTIBLE LOAN NOTES (Continued)

On 1 March 2013, the Company issued 2016 Convertible Note G which was due on 29 February 2016 with an aggregate amount of HK$32,000,000. The convertible notes can convert up to an aggregate 320,000,000 ordinary shares of the Company at HK$0.10 per share. The notes were denominated in HK$ 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 2016 Convertible Note G outstanding on maturity date shall be redeemed by the Company at its principal amount 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 12.53%. From the day immediately after the expiry of one year from the issue date, the Company may redeem all the outstanding 2016 Convertible Note G in whole at the outstanding principal amount and accrued interest. No 2016 Convertible Note G was converted into ordinary shares of the Company during the year ended 31 March 2013. As at 31 March 2013, the 2016 Convertible Note G with an aggregate principal amount of approximately HK$32,000,000 remained outstanding and it can be converted by the holder into 320,000,000 new ordinary shares of the Company of HK$0.10 each at a conversion price of HK$0.10 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 note holder shall exercise the right of conversion to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after such conversion.

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

37. CONVERTIBLE LOAN NOTES (Continued)

Except for 2012 Convertible Note E, 2014 Convertible Note F and 2016 Convertible Note G, each of the convertible notes above is bifurcated into a liability component and an equity component. 2012 Convertible Note E, 2014 Convertible Note F and 2016 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 A HK$'000	2012 Convertible Note B HK$'000	2012 Convertible Note C HK$'000	2012 Convertible Note D HK$'000	2012 Convertible Note E HK$'000	2014 Convertible Note F HK$'000	2016 Convertible Note G HK$'000	Total HK$'000
Liability components								
At 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 and 1 April 2012	–	31,424	–	–	–	40,046	–	71,470
Issue of convertible notes during the year	–	–	–	–	–	–	26,263	26,263
Reclassified to other payable	–	(32,000)	–	–	–	–	–	(32,000)
Interest paid	–	–	–	–	–	(4,847)	–	(4,847)
Imputed interest expenses (note 11)	–	576	–	–	–	5,489	279	6,344
At 31 March 2013	–	–	–	–	–	40,688	26,542	67,230
Equity components								
At 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
Issue of convertible notes during the year	–	–	–	–	–	–	10,018	10,018
Lapse of conversion option during the year (note)	–	(6,597)	–	–	–	–	–	(6,597)
At 31 March 2013	–	–	–	–	–	7,086	10,018	17,104

Note: On 29 June 2011, conversion option of approximately HK$6,597,000 was lapsed upon expiry of exercise period.

37. CONVERTIBLE LOAN NOTES (Continued)

	2012 Convertible Note B HK$'000	2014 Convertible Note F HK$'000	2016 Convertible Note G HK$'000	Total HK$'000
As at 31 March 2013				
Analysed for reporting purposes as				
Non-current liability	–	40,688	26,542	67,230
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

	2012 Convertible Note E HK$'000	2014 Convertible Note F HK$'000	2016 Convertible Note G HK$'000	Total HK$'000
Derivative components				
At 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 and 1 April 2012	7,359	(4,924)	–	2,435
Issue of convertible loan notes during the year	–	–	(4,281)	(4,281)
Change in fair value	(7,359)	1,416	968	(4,975)
At 31 March 2013	–	(3,508)	(3,313)	(6,821)

37. CONVERTIBLE LOAN NOTES (Continued)

The fair value of the derivative components, representing the Further Subscription Option entitled to the holder of 2012 Convertible Note E and the early redemption right of 2014 Convertible Note F and 2016 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 E was revalued at 31 March 2012, at the date of extension of option life of Further Subscription Option 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.

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**
Spot price	HK$0.130	HK$0.200
Risk free rate	0.242%	0.165%
Expected option period	0.456 year	1 year
Expected volatility	16.58%	15.91%

The derivative component of 2014 Convertible Note F was revalued at 31 March 2013, 31 March 2012 and at the date of issue of 2014 Convertible Note F on 29 December 2011 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 2013	**31 March 2012**	**29 December 2011**
Aggregate principal amount	HK$40,385,000	HK$40,385,000	HK$40,385,000
Exercise price	HK$40,385,000	HK$40,385,000	HK$40,385,000
Risk free rate	0.166%	0.299%	0.568%
Expected volatility	16.264%	17.964%	18.282%
Expected option period	1.745 year	2.745 year	3.000 year

37. CONVERTIBLE LOAN NOTES (Continued)

The derivative component of 2016 Convertible Note G was revalued at 31 March 2013 and the date of issue of 2016 Convertible Note G on 1 March 2013 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 2013	1 March 2013
Aggregate principal amount	HK$32,000,000	HK$32,000,000
Exercise price	HK$32,000,000	HK$32,000,000
Risk free rate	0.21%	0.25%
Expected volatility	14.819%	18.962%
Expected option period	2.919 year	3.000 year

38. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2011	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 39)	12,000,000	1,200
At 31 March 2012, 1 April 2012 and 31 March 2013	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.

38. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) On 7 April 2011, the 2012 Convertible Notes E 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, 20 February 2012 and 22 February 2012, the 2012 Convertible Notes A note holders converted HK$4,000,000, HK$4,000,000 and HK$4,000,000 into 40,000,000, 40,000,000 and 40,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10 respectively.

On 11 May 2011, the 2012 Convertible Notes D 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 Notes C 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.

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

39. 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 had 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.

40. SHARE-BASED PAYMENT TRANSACTIONS

On 19 August 2011, 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 of the Company 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.

40. 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, which shall be a Business Day; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the 5 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 and 2013, no options had been granted and remained outstanding under the 2012 Scheme of the Company.

41. ACQUISITION OF SUBSIDIARIES

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 was 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.

41. ACQUISITION OF SUBSIDIARIES (Continued)

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 receivable 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.

41. ACQUISITION OF SUBSIDIARIES (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 were excluded from the consideration transferred and were 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 was 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 2012, the revenue of the Group for the year ended 31 March 2012 would have been HK$50,487,000, 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 2012, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Fortune Financial Capital been acquired at the beginning of 31 March 2012, the directors 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.

42. DISPOSAL OF SUBSIDIARIES

(a) As mentioned in note 16, the Group entered into an agreement to dispose of its entire equity interests in EFL Group to New Century. The completion of the disposal took place on 31 May 2012, upon which EFL Group ceased to be subsidiaries of the Group.

	HK$'000
Consideration received:	
Cash received	15,880

Analysis of assets and liabilities over which control was lost:

	HK$'000
Plant and equipment	2,231
Intangible assets	480
Other non-current assets	1,572
Trade and other receivables	32,463
Bank balances and cash – trust	51,707
Bank balances and cash – general	9,261
Trade and other payables	(83,820)
Tax payables	(630)
Net assets disposed of	13,264
Gain on disposal of subsidiaries:	
Consideration received	15,880
Net assets disposed of	(13,264)
Release of translation reserve	391
Gain on disposal	3,007
Net cash inflow arising on disposal:	
Cash consideration	15,880
Less: bank balances and cash disposed of	(9,261)
	6,619

42. DISPOSAL OF SUBSIDIARIES (Continued)

(b) On 21 January 2013, the Group disposed of entire equity interest in Major Chance Limited ("**Major Chance**") at a cash consideration of HK$300,000 to Splendid Diamond Holdings Limited, an independent third party. Major Chance is principally engaged in investment holding during the period ended 21 January 2013.

	HK$'000
Consideration received:	
Cash received	300

Analysis of liabilities over which control was lost:

	HK$'000
Other payables	130
Gain on disposal of subsidiaries:	
Consideration received	300
Net liabilities disposed of	130
Gain on disposal	430
Net cash inflow arising on disposal:	
Cash consideration	300

No cash flow contributed by Major Chance for the year ended 31 March 2013 and 2012.

42. DISPOSAL OF SUBSIDIARIES (Continued)

(c) 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 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.

43. RELATED PARTY TRANSACTIONS

(a) 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:

	2013 HK$'000	2012 HK$'000
Brokerage commission received from directors	**24**	62
Interest received/receivables from directors	**2**	321

(b) Compensation of key management personnel

All directors were considered to be the key management personnel of the Group as at 31 March 2013 and 2012. The remuneration of directors during the year was as follows:

	2013 HK$'000	2012 HK$'000
Short-term benefits	**12,750**	12,338
Post-employment benefits	**60**	54
	12,810	12,392

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

44. 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.

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 Scheme to fund the retirement benefits of the eligible employees. Contributions made to the Scheme 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 statement of comprehensive income of approximately HK$875,000 (2012: HK$1,003,000) represents contributions payable to the schemes by the Group in respect of the year ended 31 March 2013.

45. COMMITMENTS

Operating lease commitments

The Group as lessee

The Group leases certain of its office premises under operating lease arrangements. Lease for properties are negotiated for a term ranging from three months to three years and rentals 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:

	2013 HK$'000	2012 HK$'000
Within one year	15,603	16,694
In the second to fifth years, inclusive	1,623	14,615
	17,226	31,309

46. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Group		Principal activities
			2013	2012	
F(HK)SL	Hong Kong	HK$180,000,000	100%	100%	Provision of securities brokerage and financing services
Fortune Asset Management Limited	Hong Kong	HK$10,000,000	100%	100%	Provision of asset management services
Fortune Financial (Holdings) Limited	The British Virgin Islands	US$1	100%	100%	Investment holding
Fortune Media Advisory Limited	Hong Kong	HK$1	100%	100%	Provision for media advisory service
Fortune Wealth Management Limited	Hong Kong	HK$6,000,000	100%	75%	Provision for insurance brokerage service
Fortune Immigration & Education Consulting Limited	Hong Kong	HK$100,000	100%	100%	Provision for immigration & education consulting service
Fortune Financial Capital	Hong Kong	HK$10,000,000	100%	100%	Provision of corporate finance service

(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 2013 and 2012.

(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.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
Non-current assets		
Plant and equipment	2,320	1,913
Investments in subsidiaries	16,380	780
	18,700	2,693
Current assets		
Other receivables, deposits and prepayments	608	576
Derivative component of convertible loan notes	6,821	4,924
Amounts due from subsidiaries (note i)	375,186	345,312
Bank balances and cash – general	3,784	38,479
	386,399	389,291
Current liabilities		
Trade payables, other payables and accruals	3,546	2,647
Derivative component of convertible loan notes	–	7,359
Convertible loan notes	–	31,424
Amounts due to subsidiaries (note i)	46,834	2,120
Tax payable	21	60
	50,401	43,610
Net current assets	335,998	345,681
Total assets less current liabilities	354,698	348,374
Capital and reserves		
Share capital	316,609	316,609
Share premium	431,725	431,725
Convertible loan notes equity reserve	17,104	13,683
Contributed surplus (note ii)	80,657	80,657
Accumulated losses	(558,627)	(534,346)
Total equity	287,468	308,328
Non-current liability		
Convertible loan notes	67,230	40,046
	354,698	348,374

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

Notes:

i. The amount(s) due from/to subsidiaries are unsecured, interest-free and repayable on demand except for amount due from a subsidiary of approximately HK$824,000 (2012: 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.

48. MAJOR NON-CASH TRANSACTIONS

As stated in note 24 to the consolidated financial statements, the Group acquired 25% of interests in China Runking of approximately HK$5,630,000 and an interest-free loan of HK$58,403,000 due from China Runking to Jovial Lead at a consideration of US$7,500,000 by the conversion of the exchangeable note during the year ended 31 March 2013.

As stated in note 37, the Group and One Express entered into a subscription agreement in respect of the issue of 2016 Convertible Note G, which was used to offset the amount due to One Express by the Company of HK$32,000,000 during the year ended 31 March 2013.

As stated in note 38, the 2012 Convertible Notes A note holders converted HK$12,000,000 into 120,000,000 ordinary shares of HK$0.10 each at the conversion prices of HK$0.10.

As stated in note 38, the 2012 Convertible Notes C 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.

As stated in note 38, the 2012 Convertible Notes D 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.

As stated in note 38, the 2012 Convertible Note E 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.

49. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 March 2013, the amounts due from associates of HK$58,403,000 have been reclassified as interests in associates since the amounts have been capitalised as share capital of China Runking.

Five Year Financial Summary

	For the year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)		
RESULTS					
Turnover	**46,810**	47,354	75,311	80,488	10,676
(Loss) profit before tax	**(71,953)**	(64,009)	(31,958)	(23,664)	15,916
Income tax expense	**–**	(452)	(939)	(4,491)	(115)
(Loss) profit for the year from continuing operations	**(71,953)**	(64,461)	(32,897)	(28,155)	15,801
Profit (loss) for the year from discontinued operations	**2,587**	(5,701)	(32,618)	6,732	(88)
(Loss) profit before non-controlling interests	**(69,366)**	(70,162)	(65,515)	(21,423)	15,713
Non-controlling interests	**364**	560	145	(2,288)	511
(Loss) profit for the year attributable to owners of the Company	**(69,002)**	(69,602)	(65,370)	(23,711)	16,224
(Loss) earnings per share(HK cents)					
Basic	**(2.2)**	(2.3)	(3.5)	(2.2)	3.2
Diluted	**(2.2)**	(3.2)	(3.5)	(2.2)	3.2

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**494,531**	632,979	794,622	685,112	242,706
Total liabilities	**(195,541)**	(272,357)	(481,869)	(532,282)	(108,005)
	298,990	360,622	312,753	152,830	134,701
Non-controlling interests	**(4)**	(720)	(145)	(165)	(29,781)
	298,986	359,902	312,608	152,665	104,920