



中國富強金融集團
CHINA FORTUNE
FINANCIAL GROUP

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



富強

Interim Report
2014

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Corporate Information

Board of Directors

Executive Directors

Mr. WONG Kam Fat Tony (*Chairman*)
Mr. NG Cheuk Fan Keith (*Managing Director*)
Mr. HON Chun Yu
Mr. XIA Yingyan

Non-Executive Director

Mr. WU Ling

Independent Non-Executive Directors

Mr. CHAN Kin Sang
Mr. NG Kay Kwok
Mr. TAM B Ray Billy

Company Secretary

Ms. HAU Po Ping

Authorised Representatives

Mr. NG Cheuk Fan Keith
Ms. HAU Po Ping

Audit Committee

Mr. NG Kay Kwok (*Chairman*)
Mr. CHAN Kin Sang
Mr. TAM B Ray Billy

Remuneration Committee

Mr. TAM B Ray Billy (*Chairman*)
Mr. CHAN Kin Sang
Mr. NG Kay Kwok

Nomination Committee

Mr. TAM B Ray Billy (*Chairman*)
Mr. NG Cheuk Fan Keith
Mr. NG Kay Kwok

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Registered Office

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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1 Harbour Road
Wanchai
Hong Kong
Tel: (852) 3105 1863
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Principal Bankers

China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited

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

(Address to be changed to
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
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Stock Code

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Website

www.290.com.hk

The board (the "Board") of directors (the "Directors") of China Fortune Financial Group Limited (the "Company") announces the condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2014 (the "Period") together with the comparative figures for the corresponding period in 2013. The Group's interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2014

	Notes	Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	22,088	18,682
Cost of securities brokerage and margin financing		(1,840)	(1,510)
Other revenue	5	3,314	1,540
Depreciation		(1,205)	(2,977)
Salaries and allowances		(20,362)	(23,146)
Change in fair value of financial assets designated as fair value through profit or loss		–	(1,129)
Change in fair value of derivative component of convertible loan notes		(973)	(2,104)
Reversal of impairment loss on trade receivables		2,396	16,137
Impairment losses recognised in respect of trade receivables		(14,323)	(8,160)
Other operating and administrative expenses		(19,273)	(18,108)
Share of profits of associates		3,623	1,068
Share of profits of joint ventures		1,386	1,994
Finance costs	6	(7,555)	(6,670)
Loss before tax	7	(32,724)	(24,383)
Income tax expense	8	(431)	(76)
Loss for the Period		(33,155)	(24,459)
Loss for the Period attributable to:			
Owners of the Company		(32,917)	(24,278)
Non-controlling interests		(238)	(181)
		(33,155)	(24,459)
Loss per share	10	HK cents	HK cents
Basic and diluted		(0.96)	(0.71)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the Period	(33,155)	(24,459)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive income of associates	1,341	1,071
Share of other comprehensive (expense) income of joint ventures	(756)	13
Exchange differences arising from capitalisation of amount due from associates	–	97
Exchange differences arising on translation of foreign operations	314	236
Other comprehensive income for the Period	899	1,417
Total comprehensive expense for the Period	(32,256)	(23,042)
Total comprehensive expense for the Period attributable to:		
Owners of the Company	(32,025)	(22,863)
Non-controlling interests	(231)	(179)
	(32,256)	(23,042)

Condensed Consolidated Statement of Financial Position

As at 30 September 2014

	Notes	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	11	4,015	3,604
Intangible assets		–	–
Club membership debentures		6,610	6,610
Other non-current assets		230	230
Goodwill		3,994	3,994
Interests in associates	12	90,012	85,048
Interests in joint ventures	13	4,673	2,919
		109,534	102,405
Current assets			
Investments held for trading		18,922	22,464
Trade receivables	14	126,551	119,447
Loan receivables	15	29,818	33,476
Amounts due from joint ventures	13	73,000	73,000
Other receivables, deposits and prepayments		8,346	6,848
Derivative component of convertible loan notes		2,386	3,359
Amount due from a non-controlling shareholder of a subsidiary		125	125
Bank balances and cash – trust	16	84,409	119,354
Bank balances and cash – general		98,565	87,011
		442,122	465,084

Condensed Consolidated Statement of Financial Position

As at 30 September 2014

	Notes	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Current liabilities			
Trade payables, other payables and accruals	17	123,884	140,195
Bank and other borrowings	18	–	–
Convertible loan notes		43,918	41,242
Tax payable		720	720
		168,522	182,157
Net current assets			
		273,600	282,927
Total assets less current liabilities			
		383,134	385,332
Capital and reserves			
Share capital	19	341,839	341,839
Reserves		(64,211)	(32,186)
Equity attributable to owners of the Company			
Non-controlling interests		(592)	(361)
Total equity			
		277,036	309,292
Non-current liabilities			
Corporate bonds	20	76,052	47,766
Convertible loan notes		30,046	28,274
		106,098	76,040
		383,134	385,332

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Attributable to owners of the Company										Total equity HK\$'000
	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	
For the six months ended 30 September 2013											
At 1 April 2013 (audited)	316,609	431,725	415	17,104	13,524	1,863	(2,315)	(479,939)	298,986	4	298,990
Other comprehensive income for the Period:											
– Exchange differences arising on translation of foreign operations	-	-	234	-	-	-	-	-	234	2	236
– Exchange differences arising from capitalisation of amount due from associates	-	-	97	-	-	-	-	-	97	-	97
– Share of other comprehensive income of joint ventures	-	-	13	-	-	-	-	-	13	-	13
– Share of other comprehensive income of associates	-	-	1,071	-	-	-	-	-	1,071	-	1,071
Loss for the Period	-	-	-	-	-	-	-	(24,278)	(24,278)	(181)	(24,459)
Total comprehensive income (expense) for the Period	-	-	1,415	-	-	-	-	(24,278)	(22,863)	(179)	(23,042)
Issue of new shares (Note 19)	25,230	-	-	-	-	-	-	-	25,230	-	25,230
At 30 September 2013 (unaudited)	341,839	431,725	1,830	17,104	13,524	1,863	(2,315)	(504,217)	301,353	(175)	301,178

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Convertible loan notes equity reserve	Special reserve	Capital reserve	Other reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2014											
At 1 April 2014 (audited)	341,839	431,725	1,106	17,104	13,524	1,863	(2,315)	(495,193)	309,653	(361)	309,292
Other comprehensive income (expense) for the Period:											
– Exchange differences arising on translation of foreign operations	-	-	307	-	-	-	-	-	307	7	314
– Share of other comprehensive expense of joint ventures	-	-	(756)	-	-	-	-	-	(756)	-	(756)
– Share of other comprehensive income of associates	-	-	1,341	-	-	-	-	-	1,341	-	1,341
Loss for the Period	-	-	-	-	-	-	-	(32,917)	(32,917)	(238)	(33,155)
Total comprehensive income (expense) for the Period	-	-	892	-	-	-	-	(32,917)	(32,025)	(231)	(32,256)
At 30 September 2014 (unaudited)	341,839	431,725	1,998	17,104	13,524	1,863	(2,315)	(528,110)	277,628	(592)	277,036

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) Other reserves comprise of reserves arising from transactions with the non-controlling interests.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(11,296)	4,165
Net cash (used in) from investing activities	(2,643)	16
Net cash from (used in) financing activities	25,179	(14)
Net increase in cash and cash equivalents	11,240	4,167
Cash and cash equivalents at 1 April	87,011	43,535
Effect of foreign exchange rate changes	314	236
Cash and cash equivalents at 30 September, represented by Bank balance and cash – general	98,565	47,938

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

1. Basis of Preparation

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

2. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation 21	Levies

The Group has not applied any new or revised HKFRSs that are not yet effective for the current interim period.

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

3. Turnover

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

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend income	178	148
Income from securities brokerage business	6,812	3,549
Interest income from money lending business	3,505	2,635
Margin interest income from securities brokerage business	9,203	6,459
Net loss on trading of listed securities	(2,833)	(248)
Others	409	639
Service income from corporate finance	4,814	5,500
	22,088	18,682

4. Segment Information (Continued)

For the six months ended 30 September 2013

	Brokerage and margin financing HK\$'000	Proprietary trading HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Turnover							
External turnover	10,008	(100)	5,500	2,635	639	–	18,682
Inter-segment turnover (Note)	378	–	50	–	1,887	(2,315)	–
	10,386	(100)	5,550	2,635	2,526	(2,315)	18,682
Segment profit (loss)	8,603	(100)	(369)	2,844	(1,158)	–	9,820
Unallocated operating income							76
Unallocated operating expense							(27,438)
Change in fair value of financial assets designated as fair value through profit or loss							(1,129)
Change in fair value of derivative component of convertible loan notes							(2,104)
Share of profits of associates							1,068
Share of profits of joint ventures							1,994
Finance costs							(6,670)
Loss before tax							(24,383)

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

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) attributable to each segment without allocation of administrative expenses, directors' salaries, change in fair value of financial assets designated as fair value through profit or loss, change in fair value of derivative component of convertible loan notes, share of profits of associates, share of profits of joint ventures, finance costs, interest income from financial institutions and income tax expense. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

4. Segment Information (Continued)

Segment assets and liabilities

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

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Segment assets		
Brokerage and margin financing	224,749	238,375
Proprietary trading	18,922	22,464
Corporate finance	5,941	5,237
Money lending	29,818	33,476
Others	84	791
Total segment assets	279,514	300,343
Unallocated	272,142	267,146
Consolidated total assets	551,656	567,489
Segment liabilities		
Brokerage and margin financing	100,221	135,595
Corporate finance	143	228
Others	187	1,062
Total segment liabilities	100,551	136,885
Unallocated	174,069	121,312
Consolidated total liabilities	274,620	258,197

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

- all assets are allocated to reportable segments other than plant and equipment for general operations, club membership debentures, interests in associates, interests in joint ventures, amounts due from joint ventures, certain other receivables, deposits and prepayments, derivative component of convertible loan notes and bank balances and cash – general.
- all liabilities are allocated to operating segments other than certain other payables and accruals, liability component and derivative component of convertible loan notes, corporate bonds and tax payable.

5. Other Revenue

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Handling fee income	2,775	630
Interest income from financial institutions	98	28
Gain on disposal of plant and equipment	–	15
Net exchange gain	–	13
Sundry income	441	854
	3,314	1,540

6. Finance Costs

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	22	2,290
Effective interest on corporate bonds interests not wholly repayable within five years	2,516	–
Effective interest on corporate bonds interests wholly repayable within five years	569	–
Effective interest expenses on convertible loan notes wholly repayable within five years	4,448	4,380
	7,555	6,670

7. Loss Before Tax

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss before tax has been arrived at after charging:		
Loss on disposal of plant and equipment	1	–
Operating lease in respect of rented premises and equipments	8,480	7,841
Staff costs, including Directors' remuneration	19,876	22,644
Retirement benefit scheme contributions	486	502

8. Income Tax Expense

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– Under provision for prior period	431	76

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the six months ended 30 September 2014 and 2013.

Under the Law of the People's Republic of China (the "PRC") or ("China") 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 the PRC EIT Law during the six months ended 30 September 2014 and 2013.

9. Dividends

No dividend was paid, declared or proposed during the interim period. The Directors of the Company do not recommend the payment of interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: nil).



10. Loss Per Share

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

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of diluted loss per share	(32,917)	(24,278)

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:

	At	At
	30 September	30 September
	2014	2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	3,418,386	3,418,386

11. Plant and Equipment

During the six months ended 30 September 2014, the Group spent approximately HK\$2,053,000 (six months ended 30 September 2013: HK\$12,000) for the acquisition of plant and equipment.

A motor vehicle with a net carrying value of approximately HK\$438,000 was disposed of by the Group for cash proceeds of approximately HK\$437,000, resulting in a net loss on disposal of approximately HK\$1,000 which was recognised in profit or loss during the six months ended 30 September 2014.

A motor vehicle with a net carrying value of HK\$175,000 was exchanged by the Group with another motor vehicle with cost HK\$190,000, resulting in a net gain of HK\$15,000 which was recognised in profit or loss during the six months ended 30 September 2013.

12. Interests in Associates

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Cost of unlisted investments in associates	70,304	70,304
Share of post-acquisition profits and other comprehensive income	19,708	14,744
	90,012	85,048

On 18 March 2014, Fortune Wealth Management Limited, a wholly-owned subsidiary of the Group, has set up a limited company in Hong Kong, Fortune Freedoness Wealth Management Limited ("Fortune Freedoness"), with a connected person of the Group and such transaction was fully exempt from shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules and injected HK\$200,000 to Fortune Freedoness, which represented 20% equity interests in Fortune Freedoness.

Details of the associates as at 30 September 2014 and 31 March 2014 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		Proportion of voting right held by the Group at board level		Principal activity
				30 September 2014	31 March 2014	30 September 2014	31 March 2014	
China Runking Financing Group Holdings Limited ("China Runking") (formerly known as Media Eagle Limited)	Limited liability company	Hong Kong	Ordinary	25% (Note 1)	25%	40% (Note 1)	33%	Investment holding
City Eagle Holdings Limited	Limited liability company	Hong Kong	Ordinary	25%	25%	40%	33%	Investment holding
Chongqing Liangjiang New Area Small Loan Business Limited*	Limited liability company	The PRC	Registered capital	25%	25%	40%	33%	Provision of small loan financing services in Chongqing of the PRC
Beijing Sapiential of Golden Resources Public Relations Consultant Co., Ltd ("Beijing Sapiential of Golden Resources")*	Limited liability company	The PRC	Registered capital	48% (Note 2)	48%	25% (Note 2)	25%	Provision of business consultancy services
Fortune Freedoness	Limited liability company	Hong Kong	Ordinary	20%	20%	33%	20%	Inactive

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

12. Interests in Associates (Continued)

Both City Eagle Holdings Limited and Chongqing Liangjiang New Area Small Loan Business Limited are wholly-owned subsidiaries of China Runking.

Notes:

1. The Group is able to exercise significant influence over China Runking and its subsidiaries ("China Runking Group") because it has the power to appoint two out of the five directors of that company under the provisions stated in the shareholders' agreement.
2. The Group is able to exercise significant influence over Beijing Sapiential of Golden Resources because it has the power to appoint one out of the four directors of that company under the provisions stated in the Articles of Association of that company.

Included in the cost of investment in associates was goodwill of approximately HK\$4,052,000 arising on the acquisition of associates during the year ended 31 March 2013.

On 23 April 2013, the 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") has been capitalised as investments in China Runking and reclassified as interests in associates.

13. Interests in Joint Ventures/Amounts due from Joint Ventures

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Cost of unlisted investments in joint ventures	9,492	8,367
Share of post-acquisition profits and other comprehensive income	2,225	1,596
	11,717	9,963
Less: Impairment loss recognised	(7,044)	(7,044)
	4,673	2,919
Amounts due from joint ventures	73,000	73,000

The amounts due from joint ventures are unsecured, interest-free and repayable on demand, other than an amount of approximately HK\$3,000,000 (2014: HK\$3,000,000) which carries interest at 12% (2014: 12%) per annum.

On 12 October 2013, the Company has set up a limited company in the PRC, Shenzhen Qianhai Fortune Financial Service Company Limited ("Qianhai Fortune Financial")*, with three independent third parties and injected HK\$290,000 to Qianhai Fortune Financial, which represented 30% entire equity interests in Qianhai Fortune Financial.

13. Interests in Joint Ventures/Amounts due from Joint Ventures (Continued)

On 21 March 2014, the Company has set up a limited company in the PRC, Shenzhen Qianhai Fortune Equity Investment Management Company Limited (“**Qianhai Fortune Equity**”)* with three independent third parties and injected HK\$1,125,000 to Qianhai Fortune Equity, which represented 30% entire equity interests in Qianhai Fortune Equity.

Details of the joint ventures as at 30 September 2014 and 31 March 2014 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		Proportion of voting right held by the Group at board level		Principal activity
				30 September 2014	31 March 2014	30 September 2014	31 March 2014	
Measure Up International Limited (“ Measure Up ”)	Limited liability company	British Virgin Islands (the “ BVI ”)	Ordinary	35%	35%	33%	40%	Investment holding
Lucky Target Property Agency Limited	Limited liability company	Hong Kong	Ordinary	35%	35%	33%	40%	Investment holding
Rongtong Finance Lease (Shanghai) Company Limited*	Limited liability company	The PRC	Registered share capital	35%	35%	33%	40%	Provision of finance lease service
Qianhai Fortune Financial*	Limited liability company	The PRC	Registered share capital	30%	30%	40%	40%	Provision of financial consultancy service
Qianhai Fortune Equity*	Limited liability company	The PRC	Registered share capital	30%	30%	40%	40%	Inactive

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

13. Interests in Joint Ventures/Amounts due from Joint Ventures (Continued)

Both Lucky Target Property Agency Limited and Rongtong Finance Lease (Shanghai) Company Limited are the wholly-owned subsidiaries of Measure Up.

The Group holds 35% of the ordinary shares of Measure Up and controls 33% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Measure Up should be unanimously approved by the Group and other venturers. Therefore, Measure Up and its subsidiaries ("Measure Up Group") are regarded as joint ventures of the Group.

The Group holds 30% of equity interests of Qianhai Fortune Financial and controls 40% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Qianhai Fortune Financial should be unanimously approved by the Group and other venturers. Therefore, Qianhai Fortune Financial is regarded as joint ventures of the Group.

The Group holds 30% of equity interests of Qianhai Fortune Equity and controls 40% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Qianhai Fortune Equity should be unanimously approved by the Group and other venturers. Therefore, Qianhai Fortune Equity is regarded as joint ventures of the Group.

Included in the cost of investments in joint ventures is goodwill of approximately HK\$7,044,000 arising on acquisition of joint ventures in previous years.

In light of certain significant loan receivables of Measure Up Group were defaulted during the year ended 31 March 2014, the Directors of the Company were of the opinion that the recoverable amount of the interests in Measure Up Group was significantly below its investment cost, an impairment loss of approximately HK\$7,044,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2014. The recoverable amount of the interests in Measure Up Group of approximately HK\$2,634,000 has been determined on the basis of value in use calculation. That cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 13.2%. At 30 September 2014, the carrying amount of interests in joint ventures is approximately HK\$4,673,000 (2014: HK\$2,919,000), net of impairment loss of approximately HK\$7,044,000 (2014: HK\$7,044,000).

14. Trade Receivables

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Trade receivables from the business of dealing in securities		
– Cash clients	5,491	8,171
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	26,166	4,036
– Margin clients	190,264	172,414
Trade receivables from other businesses	2,456	1,710
	224,377	186,331
Less: Impairment losses recognised	(97,826)	(66,884)
	126,551	119,447

The settlement terms of trade receivable, except for secured margin clients, arising from the business of dealing in securities are two days after the trade date. The Group allows an average credit period of 30 days (31 March 2014: 30 days) to its trade customers of other business.

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

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

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Less than 30 days	32,924	11,834
31 to 60 days	88	451
61 to 90 days	4	145
Over 90 days	660	1,079
	33,676	13,509

14. Trade Receivables (Continued)

Trade receivables in relation to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK\$689,853,699 (31 March 2014: HK\$1,327,360,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. There is no repledge of the collateral from margin clients in the Period.

Movements in the impairment loss of trade receivables in aggregate during the Period/year are as follow:

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Balance at the beginning of Period/year	66,884	101,781
Amounts written off as uncollectible	19,015	–
Reversal of impairment loss recognised	(2,396)	(39,550)
Recognised impairment loss during the Period/year	14,323	4,653
	97,826	66,884

15. Loan Receivables

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Secured loan receivables	14,792	20,110
Unsecured loan receivables	15,026	13,366
	29,818	33,476

The secured loan receivables are secured by the equity shares of a listed company and bear interest at a fixed interest rate ranging from 12% to 20% per annum (31 March 2014: ranging from 10% to 15% per annum).

The unsecured loan receivables bear an interest rate ranging from 22% to 25% per annum (31 March 2014: ranging from 22% to 30% per annum). All unsecured loan receivables are guaranteed by a substantial shareholder and/or an independent third party as at 30 September 2014 and 31 March 2014.

15. Loan Receivables (Continued)

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

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Less than 30 days	454	561
31-60 days	32	3,156
61-90 days	10,031	1,653
Over 90 days	19,301	28,106
	29,818	33,476

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

16. Bank Balances and Cash – Trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities brokerage and financing business. The Group classified the clients' monies as bank balances and cash – trust under the current assets of the condensed consolidated statement of financial position and recognised the corresponding trade payables to respective clients on the ground 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.

17. Trade Payables, Other Payables and Accruals

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Trade payables from the business of dealing in securities:		
– Margin and cash clients	100,237	134,161
– HKSCC	22,369	1,914
Other payables and accruals	1,278	4,120
	123,884	140,195

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 30 September 2014, the Group had other payables and accruals of approximately HK\$230,000 (31 March 2014: HK\$202,000) which were denominated in USD.

18. Bank and Other Borrowings

As at 30 September 2014, the Group has no bank and other borrowings (31 March 2014: nil).

The Group has repaid all bank and other borrowings during the year ended 31 March 2014.

19. Share Capital

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2013 (audited), 31 March 2014 (audited) and 30 September 2014 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2013 (audited)	3,166,086,000	316,609
Issue of shares (Note)	252,300,000	25,230
At 31 March 2014 (audited) and 30 September 2014 (unaudited)	3,418,386,000	341,839

Note:

Pursuant to a conditional placing agreement dated 18 July 2013 between the Company and Fortune (HK) Securities Limited ("F(HK)SL"), a wholly-owned subsidiary of the Company, as the placing agent for which F(HK)SL agreed to place a maximum of 300,000,000 new shares at the price of HK\$0.10 per placing share. All conditions of the placing have been fulfilled and completion of the placing took place on 1 August 2013. The 252,300,000 placing shares have been successfully placed by F(HK)SL to not fewer than six places at the placing price of HK\$0.1 per placing share pursuant to the terms and conditions of the placing agreement.

20. Corporate Bonds

As at 30 September 2014, the Group has corporate bonds in issue from two to seven and a half years with face value of HK\$83,810,000 (31 March 2014: HK\$53,810,000) to thirteen independent private investors (collectively known as the “**Subscribers**”). These corporate bonds (the “**Bonds**”) carry interest at fixed rate of 6% to 7% per annum with interest payable annually in arrears.

The face value of the Bonds subscribed by each Subscriber is as follow:

Subscribers	Face value of the Bonds At 30 September 2014 HK\$'000 (Unaudited)	Face value of the Bonds At 31 March 2014 HK\$000 (Audited)
SHI Caiyan	10,000	10,000
ZHANG Shujun	3,000	3,000
HU Jianqiang	5,000	5,000
Mr. WANG	10,000	10,000
ZHANG Xiuxiang	9,810	9,810
Ms. HUANG	10,000	10,000
CHUNG Tze Ming	1,000	1,000
ZHANG Lizhen	5,000	5,000
LI Hualin	5,000	–
Mr. WANG	10,000	–
ZHAO Weihang	5,000	–
LI Yumin	5,000	–
WEI Qianqian	5,000	–
Total	83,810	53,810

21. Disposal of a Subsidiary

On 3 December 2013, the Group has completed to dispose of its entire equity interest in Pegasus Financial Public Relations Limited (formerly known as Fortune Media Advisory Limited) to Total Icon Limited, an independent third party of the Group.

	HK\$'000
Consideration received:	
Cash received	1,150
Analysis of assets and liabilities over which control was lost:	
Trade and other receivables	857
Bank balances and cash – general	18
Trade and other payables	(72)
Net assets disposed of	803
Gain on disposal of a subsidiary:	
Consideration received	1,150
Net assets disposed of	(803)
Gain on disposal	347
Net cash inflow arising on disposal:	
Cash consideration	1,150
Less: bank balances and cash disposed of	(18)
	1,132

22. Related Party Transactions

Compensation of key management personnel

All Directors were considered to be the key management personnel of the Group for the six months ended 30 September 2014 and 2013. The remuneration of Directors during the Period is as follows:

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	4,976	7,231
Post-employment benefits	34	30
	5,010	7,261

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

23. Commitments

(i) Operating lease commitments

The Group as lessee

The Group leases certain of its office premises and equipments under operating lease arrangements. Lease for properties and equipments are negotiated for a term ranging from half year to five 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 each of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At	At
	30 September	31 March
	2014	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	18,487	4,006
In the second to fifth years, inclusive	22,057	777
	40,544	4,783

23 Commitments (Continued)

(ii) Capital commitment

The Group had the following capital commitment at the end of the reporting period:

	At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
Contracted but not provided for:		
Investment in joint ventures	6,235	7,279

24. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements 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); and
- 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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)		
Derivative component of convertible loan notes	2,386	3,359	Level 2	Black-Scholes option pricing model based on the stock price, expected volatility, expected option period and risk free rate
Investments held for trading	18,922	22,464	Level 1	Quoted bid prices in active market

There were no transfers between levels of fair value hierarchy in the Period/year.

25. Non-Cash Transaction

As stated in note 12 to the condensed 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 at a consideration of US\$7,500,000 by the conversion of the Exchangeable Note during the year ended 31 March 2013. Subsequently, during the year ended 31 March 2014, the loan to an associate of US\$7,500,000 (equivalent to approximately HK\$58,500,000) has been capitalised as investments in China Runking.

Management Discussion and Analysis

Results

For the period ended 30 September 2014, turnover of the Group amounted to approximately HK\$22,088,000, representing an increase of approximately 18.23% from approximately HK\$18,682,000 for the year ended 30 September 2013. The increase in turnover was mainly attributable to increase in turnover contributed from the securities broking and margin financing businesses and interest income from loan receivable.

The Group recorded a loss for the year of approximately HK\$33,155,000, as compared with the loss of approximately HK\$24,459,000 in the last year. The loss for the Period was principally attributable to a significant loss arising from the reduction on reversal of impairment losses and increase in impairment losses recognised in respect of trade receivables.

Due to the combined effect of increase in turnover, reduction on reversal of impairment losses and the increase of impairment losses recognised in respect of trade receivables, the net loss attributable to owners of the Company for the Period amounted to approximately HK\$32,917,000, representing an increase of approximately 35.58% from approximately HK\$24,278,000 in last year.

Review of Operations

Brokerage and margin financing

During the Period, the Group's revenue from brokerage and margin financing business showed improvement to approximately HK\$16,015,000, representing an increase of 54.20% as compared to the revenue of approximately HK\$10,386,000 for the corresponding period in 2013.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our wealth management business targeting at high-end customers in order to differentiate between our one-stop integrated financial services business and other securities house.

Proprietary trading

During the Period, all the securities traded are shares listed on The Stock Exchange of Hong Kong Limited. Stocks in Hong Kong showed volatility during the Period. This segment recorded net losses on trading of securities of HK\$2,833,000 and dividend income of HK\$178,000, as compared to net losses on trading of listed securities of HK\$248,000 and dividend income of HK\$148,000 for the corresponding period in 2013.

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

The Group has continued to allocate more resources to develop the corporate finance division for satisfying the needs of the customers. During the Period, the corporate finance division recorded revenue of approximately HK\$5,014,000 (2013: HK\$5,550,000).

Money lending

During the Period, the Group recorded interest income from loan receivables of approximately HK\$3,505,000 (2013: HK\$2,635,000), representing an increase of 33.02% compared with the corresponding period in 2013.

Other businesses

During the Period, the Group recorded income from other business operations in the areas of insurance brokerage service and other consultancy service of approximately HK\$409,000.

In December 2013, the Group has completed and disposed the business segment of media services and there are no such business segment income comparing with last year (2013: HK\$639,000).

Prospects

Despite the stock market that is constantly changing, the impact of the US Federal Reserve tapering and other uncertainties in the global economy, the Group still holds a cautiously optimistic view on Hong Kong's economy as well as the prospects of the Group's business development and it is still confident that there is room for potential development.

In 2014, the China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong have approved, in principle, the development through a pilot programme (Shanghai-Hong Kong Stock Connect) for establishing mutual stock market access between Mainland China and Hong Kong.

Shanghai-Hong Kong Stock Connect is an important step towards the opening up of the China capital market and will enhance capital market connectivity between Mainland China and Hong Kong. Therefore, we expect that the performance of the stock market in Hong Kong and China to be relatively optimistic and the program might constitute a good business opportunity for the Group.

The IPO market in Hong Kong was more active this period and there were around 89 newly listed companies for the first nine months of 2014. There was an increase of around 98% when compared with the around 45 for the same period last year and the numbers include any transfers of listing from Growth Enterprise Market to Main Board of the Stock Exchange. The funds raised through IPOs for the first nine months of 2014 were around \$131,324 million and there was an increase of around 119% when compared with around \$59,904 million for the same period last year. We expect there will be an increase in our sponsorship business.

Looking ahead, the Group will continue to concentrate on developing broking and margin financing, proprietary trading, corporate finance and money lending as its core businesses. The Group will stand firm against difficulties and challenges, make strategic adjustments according to the market trend and create more development and growth opportunities for the Group.

Capital Structure

As at 30 September 2014, the total issued shares of the Company (the "Shares") capital was approximately HK\$341,839,000 comprising 3,418,385,668 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 Period, all the 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 Period, the Group mainly financed its operations by cash generated from operations and other borrowings.

As at 30 September 2014, the Group's current assets and current liabilities were approximately HK\$442,122,000 (as at 31 March 2014: approximately HK\$465,084,000) and approximately HK\$168,522,000 (as at 31 March 2014: approximately HK\$182,157,000) respectively, while the current ratio was about 2.62 times (as at 31 March 2014: 2.55 times).

As at 30 September 2014, the Group's aggregate cash and cash equivalents amounted to approximately HK\$98,565,000 (as at 31 March 2014: approximately HK\$87,011,000), representing approximately 22.29% (as at 31 March 2014: approximately 18.71%) of total current assets.

As at 30 September 2014, the Group had no bank and other borrowings (as at 31 March 2014: nil). During the Period, no financial instruments were used for hedging purposes.

As at 30 September 2014, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 53.18% (as at 31 March 2014: approximately 36.79%). The increase was mainly due to the issuance of corporate bonds during the Period.

As at 30 September 2014, the debt ratio, defined as total debts over total assets, was approximately 49.78% (as at 31 March 2014: approximately 45.50%).

Contingent Liabilities

During the period ended 30 September 2014, the Group has provided certain counter financial guarantees to two independent third parties, which has provided financial guarantees directly to Chongqing Liangjiang New Area Runtong Small Loan Business Limited*, an associate of the Group, in aggregate of approximately RMB7,500,000 (equivalent to approximately HK\$9,563,000) (31 March 2014: HK\$12,317,000).

For details, please refer to the announcement of the Company dated 19 November 2013.

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

Charge on the Group's Asset

No asset of the Group was subject to any charge as at 30 September 2014 (as at 31 March 2014: 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 Period, the Group mainly use Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

Human Resources

As at 30 September 2014, the Group had 81 employees in total (as at 31 March 2014: 81 employees). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions. A summary of the share option scheme is set out on page 39 of this interim report.

Litigation

In April 2014, a writ of summons was issued by a third party in liquidation (the "**Plaintiff**") against F(HK)SL, a subsidiary of the Company, in relation to HK\$4,000,000 ("**Sum**") paid to F(HK)SL pursuant to a cheque issued by the Plaintiff in September 2009 which was transferred to a client's account maintained with F(HK)SL. The Plaintiff claimed that the Sum was money belonging to them and demanded for a refund of the Sum. As advised by the legal adviser to the case, pursuant to the terms and conditions of the client's agreement entered into between the client and F(HK)SL, F(HK)SL is entitled to set off or withhold any securities and monies held in the account against any liabilities owed by the client. Having considered the legal advice, the Board believes that the said legal action does not have any material adverse impact on the Group's operation and financial position. As at the date of this interim report, the said legal action is still in progress.

Event After The Reporting Period

There are no material event affecting the Group which have occurred since the end of the financial period.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 September 2014, the interests and short positions of each of the Directors or chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange of pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Interests in Shares and Underlying Shares:

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)	Interest of controlled corporations	800,000,000	—	23.40%
XIA Yingyan ("Mr. Xia") (Note)	Interest of controlled corporations	800,000,000	—	23.40%

Note:

Mr. Wong is the chairman and executive Director whereas Mr. Xia is an executive Director. Jadehero Limited ("Jadehero"), a company incorporated in the British Virgin Islands with limited liability, beneficially held 800,000,000 Shares as at 30 September 2014. 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 30 September 2014, none of the Directors nor the chief executive of the Company, had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests

As at 30 September 2014, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) 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:

Name of Shareholder(s)	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares/ underlying Shares	Approximate percentage of the issued Share capital of the Company
Southlead Limited (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	23.40%
Marvel Steed Limited (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	23.40%
Jadehero (Note 1)	Beneficial owner	800,000,000	–	800,000,000	23.40%
China Cinda (HK) Asset Management Co., Limited (" China Cinda (HK) ") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	14.63%
Well Kent International Investment Company Limited (" Well Kent ") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	14.63%
China Cinda Asset Management Co., Limited (" China Cinda ") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	14.63%
Mankind Investment Limited (" MIL ") (Note 2)	Beneficial owner	500,000,000	–	500,000,000	14.63%
CR Investment Group Limited (" CR Investment ") (Note 3)	Interest of controlled corporation	–	320,000,000	320,000,000	9.36%
PME Group Limited (" PME Group ") (Note 3)	Interest of controlled corporation	–	320,000,000	320,000,000	9.36%
One Express Group Limited (" One Express ") (Note 3)	Beneficial owner	–	320,000,000	320,000,000	9.36%
Chinese Strategic Holdings Limited (formerly known as China Railway Logistics Limited) (" Chinese Strategic ") (Note 4)	Interest of controlled corporation	272,738,000	–	272,738,000	7.97%
Right Magic Limited (" Right Magic ") (Note 4)	Beneficial owner	263,738,000	–	263,738,000	7.71%
SHI Zhi Jun (" Mr. Shi ") (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	5.90%
Kaiser Capital Holdings Limited (" Kaiser Capital ") (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	5.90%
Credit China Holdings Limited (" Credit China ") (Note 5)	Interest of controlled corporation	–	201,923,075	201,923,075	5.90%
Ever Step Holdings Limited (" Ever Step ") (Note 5)	Beneficial owner	–	201,923,075	201,923,075	5.90%
SO Chi Yuk	Beneficial owner	200,000,000	–	200,000,000	5.85%

Notes:

1. As at 30 September 2014, Jadehero beneficially held 800,000,000 Shares. Jadehero is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited.
2. As at 30 September 2014, MIL beneficially held 500,000,000 Shares. MIL is wholly-owned by China Cinda (HK) which is in turn wholly-owned by Well Kent. Well Kent is wholly-owned by China Cinda. For the purpose of the SFO, China Cinda (HK), Well Kent and China Cinda are deemed or taken to be interested in the Shares held by MIL.
3. As at 30 September 2014, 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 30 September 2014, Right Magic, Sure Venture Investment Limited and Excel Return Enterprise Limited beneficially held 263,738,000 Shares, 2,000,000 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 Chinese Strategic. For the purpose of the SFO, Chinese Strategic is deemed or taken to be interested in the Shares held by Right Magic, Sure Venture Investment Limited and Excel Return Enterprise Limited.
5. As at 30 September 2014, Ever Step 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 December 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 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 the 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 30 September 2014, 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.



Corporate Governance and Other Information

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

Throughout the Six Months Ended 30 September 2014

Mr. LAM Ka Wai Graham ("Mr. Lam") who was an independent non-executive Director resigned from the Board with effect from 11 April 2014 due to his other business commitments. Upon Mr. Lam's resignation, he also ceased to be the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company with effect from 11 April 2014.

Following the resignation of Mr. Lam, the Company does not comply with Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules which were explained below:

- (i) The number of the independent non-executive Directors falls below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules;
- (ii) The number of members of the Audit Committee of the Company falls below the minimum number required under Rule 3.21 of the Listing Rules; and
- (iii) There is a vacancy for chairman of the Remuneration Committee of the Company which does not fulfil the requirement under Rule 3.25 of the Listing Rules.

In order to comply with the requirement under Rule 3.25 of the Listing Rules, on 20 June 2014, Mr. TAM B Ray Billy, the independent non-executive Director was appointed as chairman of the Remuneration Committee of the Company. For the details of the appointment, please refer to the announcement of the Company dated 20 June 2014.

On 9 July 2014, Mr. CHAN Kin Sang ("Mr. Chan") was appointed as an independent non-executive Director and a member of the Audit Committee of the Company. Following the appointment of Mr. Chan as an independent non-executive Director and a member of the Audit Committee, the Company has fulfilled the requirements of minimum number of independent non-executive Directors and Audit Committee members under Rules 3.10(1), 3.10(A) and 3.21 of the Listing Rules. For the details of the appointment, please refer to the announcement of the Company dated 9 July 2014.

Board Composition

As at 30 September 2014 the composition of the Board of the Company was as follows:

Executive Directors	Non-executive Director	Independent Non-executive Directors
Mr. WONG Kam Fat Tony (Chairman)	Mr. WU Ling	Mr. CHAN Kin Sang
Mr. NG Cheuk Fan Keith (Managing Director)		Mr. NG Kay Kwok
Mr. HON Chun Yu		Mr. TAM B Ray Billy
Mr. XIA Yingyan		

Since 1 April 2014, there have been a number of changes in the Board as set out below:

- Mr. LAM Ka Wai Graham resigned as an independent non-executive Director with effect from 11 April 2014 due to his other business commitments.
- Mr. ZHANG Min resigned as an executive Director and the chairman of the Board with effect from 1 July 2014 due to his other personal commitment.
- Mr. WONG Kam Fat Tony was redesignated from a non-executive Director to an executive Director and from the vice-chairman to the chairman of the Board with effect from 1 July 2014.
- Mr. CHAN Kin Sang was appointed as an independent non-executive Director with effect from 9 July 2014.

The composition of Board Committees remains the same as set out in the annual report of the Company for the year ended 31 March 2014, save that

- Mr. ZHANG Min ceased to be a member of the Remuneration Committee with effect from 1 July 2014 following his resignation as an executive Director and the chairman of the Board with effect from 1 July 2014.
- Mr. WONG Kam Fat Tony was appointed as a member of the Remuneration Committee with effect from 1 July 2014.
- Mr. CHAN Kin Sang was appointed as a member of the Audit Committee with effect from 9 July 2014.

Directors' Updated Biographical Details

Mr. NG Cheuk Fan Keith, an executive Director and the Managing Director of the Company, was appointed as an independent non-executive director of China Eco-Farming Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (the "GEM") with effect from 1 September 2014.

Mr. TAM B Ray Billy, an independent non-executive Director of the Company, has resigned as a non-executive director of Larry Jewelry International Company Limited, a company listed on the GEM with effect from 19 September 2014.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 March 2014 up to the date of this interim report.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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

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**").

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

(a) 2003 Scheme

The 2003 Scheme became effective for a period of 10 years commencing on 12 February 2003. Under the terms of the 2003 Scheme, the Directors may, at their discretion, grant options to the full-time employees, including Directors of the Company and its subsidiaries, to subscribe for Shares for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for Shares during a period of 5 years commencing on the date of acceptance of the option. The 2003 Scheme was early terminated and replaced by the 2012 Scheme adopted by shareholders on 19 August 2011.

No share option was granted, exercised, cancelled or lapsed during the Period under the 2003 Scheme.

(b) 2012 Scheme

At the extraordinary general meeting of the Company held on 19 August 2011 (the "**EGM**"), an ordinary resolution was passed by the shareholders to approve and adopt the 2012 Scheme in place of the 2003 Scheme.

The 2012 Scheme became effective for a period of 10 years commencing on 19 August 2011. Eligible participants of the 2012 Scheme included any employee, included Directors; any business associate; any person or entity that provides research, development or other technological support to the Group or any invested entity, and any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or an invested entity ("**Eligible Participants**"). The Directors may, at their sole discretion, grant to any Eligible Participants options to subscribe for ordinary shares of the Company at a price not less than the higher of (i) the nominal value of the Shares; (ii) the closing price of the Shares on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the Shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The offer of a grant of options must be accepted within 28 days from the offer date. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for Shares during a period of 10 years commencing on the date of acceptance of the option.

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

No share option was granted, exercised, cancelled or lapsed during the Period under the 2012 Scheme.

As at 30 September 2014, the Company did not have any outstanding options under the 2003 Scheme and the 2012 Scheme.

Purchase, Sale or Redemption of Shares

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

Interim Dividend

The Directors do not declare any interim dividend for the Period.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang (from 9 July 2014) and Mr. TAM B Ray Billy. Mr. LAM Ka Wai Graham was a member of the Audit Committee and he ceased to be a member on his resignation from the Board on 11 April 2014.

Review of Financial Information

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

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

Hong Kong, 10 November 2014

As at the date hereof, the Board consists of four executive Directors, namely Mr. WONG Kam Fat Tony (Chairman), Mr. NG Cheuk Fan Keith (Managing Director), Mr. HON Chun Yu and Mr. XIA Yingyan; one non-executive Director, namely Mr. WU Ling; and three independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok and Mr. TAM B Ray Billy.

