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## China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 290)

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

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

The board (the “**Board**”) of directors (the “**Directors**”) of China Fortune Financial Group Limited (the “**Company**”) announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2016 together with the comparative figures for the previous year are as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

|  | Notes | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|-------|------------------|------------------|
| Revenue  | 3     | 49,207           | 45,083           |
| Cost of securities brokerage and margin financing                        |       | (14,806)         | (4,973)          |
| Other income   | 5     | 5,591            | 6,928            |
| Depreciation   |       | (1,777)          | (2,224)          |
| Salaries and allowances  |       | (40,430)         | (38,185)         |
| Reversal of impairment loss recognised in respect of trade receivables   |       | 17,682           | 3,802            |
| Reversal of impairment loss recognised in respect of loan receivable     |       | 10,000           | –                |
| Change in fair value of derivative component of convertible loan notes   |       | (1,419)          | (2,712)          |
| Impairment loss recognised in respect of trade receivables               |       | (6,504)          | (22,272)         |
| Impairment loss recognised in respect of amount due from a joint venture |       | –                | (73,386)         |
| Other operating and administrative expenses                              |       | (44,218)         | (39,202)         |
| Impairment loss recognised in respect of loan receivables                |       | –                | (10,988)         |
| Share of profits of associates   |       | 5,577            | 840              |
| Share of losses of joint ventures  |       | (169)            | (2,830)          |
| Finance costs  | 6     | (21,416)         | (16,617)         |

|   | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Loss before tax   | 7            | (42,682)                       | (156,736)               |
| Income tax expense  | 8            | —                              | (431)                   |
|   |              | <u>(42,682)</u>                | <u>(157,167)</u>        |
| <b>Other comprehensive (expense) income</b>                           |              |                                |                         |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |              |                                |                         |
| Exchange differences arising on translation of foreign operations     |              | (116)                          | 255                     |
| Share of other comprehensive (expense) income of associates           |              | (3,458)                        | 90                      |
| Share of other comprehensive (expense) income of joint ventures       |              | (51)                           | 141                     |
|   |              | <u>(3,625)</u>                 | <u>486</u>              |
| Other comprehensive (expense) income for the year                     |              | (3,625)                        | 486                     |
|   |              | <u>(46,307)</u>                | <u>(156,681)</u>        |
| <b>Total comprehensive expense for the year</b>                       |              |                                |                         |
| Loss for the year attributable to:                                    |              |                                |                         |
| Owners of the Company   |              | (42,301)                       | (156,732)               |
| Non-controlling interests   |              | (381)                          | (435)                   |
|   |              | <u>(42,682)</u>                | <u>(157,167)</u>        |
|   |              | <u>(46,307)</u>                | <u>(156,681)</u>        |
| <b>Total comprehensive expense for the year attributable to:</b>      |              |                                |                         |
| Owners of the Company   |              | (45,963)                       | (156,247)               |
| Non-controlling interests   |              | (344)                          | (434)                   |
|   |              | <u>(46,307)</u>                | <u>(156,681)</u>        |
|   |              | <u>(46,307)</u>                | <u>(156,681)</u>        |
|   |              | <i>HK cents</i>                | <i>HK cents</i>         |
| <b>Loss per share</b>   | <i>10</i>    |                                |                         |
| Basic and diluted   |              | <u>(1.24)</u>                  | <u>(4.58)</u>           |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

|  | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>  |              |                                |                         |
| Plant and equipment  |              | <b>2,637</b>                   | 3,026                   |
| Intangible assets  |              | –                              | –                       |
| Club membership debentures                                       |              | <b>6,610</b>                   | 6,610                   |
| Other non-current assets   |              | <b>275</b>                     | 230                     |
| Goodwill   |              | <b>3,994</b>                   | 3,994                   |
| Available-for-sale financial assets                              |              | –                              | –                       |
| Interests in associates  |              | <b>88,887</b>                  | 88,476                  |
| Interests in joint ventures                                      |              | <b>1,135</b>                   | 1,355                   |
| Loan receivables   | <i>12</i>    | <b>5,502</b>                   | –                       |
|  |              | <hr/> <b>109,040</b>           | <hr/> 103,691           |
| <b>Current assets</b>  |              |                                |                         |
| Amount due from a joint venture                                  |              | –                              | –                       |
| Investments held for trading                                     |              | <b>19,723</b>                  | 20,944                  |
| Trade receivables  | <i>11</i>    | <b>100,019</b>                 | 136,613                 |
| Loan receivables   | <i>12</i>    | <b>38,643</b>                  | 17,064                  |
| Factoring receivables  | <i>13</i>    | <b>2,210</b>                   | 3,409                   |
| Amount due from an investee company                              |              | –                              | –                       |
| Other receivables, deposits and prepayments                      |              | <b>6,403</b>                   | 7,611                   |
| Derivative component of convertible loan notes                   |              | –                              | 1,419                   |
| Amount due from a non-controlling shareholder<br>of a subsidiary |              | <b>125</b>                     | 125                     |
| Bank balances and cash - trust                                   |              | <b>135,215</b>                 | 107,632                 |
| Bank balances and cash - general                                 |              | <b>46,757</b>                  | 79,435                  |
|  |              | <hr/> <b>349,095</b>           | <hr/> 374,252           |

|  | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000 |
|--|--------------|--------------------------------|------------------|
| <b>Current liabilities</b>                   |              |                                |                  |
| Trade payables, other payables and accruals  | <i>14</i>    | <b>221,414</b>                 | 143,470          |
| Convertible loan notes                       |              | –                              | 70,641           |
| Corporate bonds                              |              | <b>10,772</b>                  | 10,772           |
| Tax payable                                  |              | <b>720</b>                     | 720              |
|  |              | <u><b>232,906</b></u>          | <u>225,603</u>   |
| Net current assets                           |              | <u><b>116,189</b></u>          | <u>148,649</u>   |
| Total assets less current liabilities        |              | <u><b>225,229</b></u>          | <u>252,340</u>   |
| <b>Capital and reserves</b>                  |              |                                |                  |
| Share capital                                | <i>15</i>    | <b>341,839</b>                 | 341,839          |
| Reserves                                     |              | <u><b>(233,174)</b></u>        | <u>(187,211)</u> |
| Equity attributable to owners of the Company |              | <b>108,665</b>                 | 154,628          |
| Non-controlling interests                    |              | <u><b>(1,125)</b></u>          | <u>(781)</u>     |
| Total equity                                 |              | <u><b>107,540</b></u>          | <u>153,847</u>   |
| <b>Non-current liabilities</b>               |              |                                |                  |
| Corporate bonds                              |              | <u><b>117,689</b></u>          | <u>98,493</u>    |
|  |              | <u><b>225,229</b></u>          | <u>252,340</u>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares 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 P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and 35/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong respectively.

The principal activities of the Group are securities and insurance brokerage, margin financing, provision of corporate finance services and money lending services.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

#### (a) Revised HKFRSs that are effective for the annual periods beginning on 1 April 2015:

In the current year, the Group has applied for the first time the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”):

|                      |  |
|----------------------|--|
| Amendments to HKFRSs | <i>Annual Improvements to HKFRSs 2010-2012 Cycle</i> |
| Amendments to HKFRSs | <i>Annual Improvements to HKFRSs 2011-2013 Cycle</i> |

The adoption of these revised HKFRSs does not have any material impact on the consolidated financial statements.

**(b) Issued but not yet effective**

At the date of authorisation of these consolidated financial statements, certain new and revised HKFRSs, which includes HKFRSs and Hong Kong Accounting Standards (“HKAS(s)”) have been published but are not yet effective, and have not been adopted early by the Group.

|  |  |
|--|--|
| Amendments to HKAS 1                         | <i>Disclosure Initiative<sup>1</sup></i>   |
| Amendments to HKAS 16 and HKAS 38            | <i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup></i>                  |
| Amendments to HKAS 16 and HKAS 41            | <i>Agriculture: Bearer Plants<sup>1</sup></i>  |
| Amendments to HKAS 27                        | <i>Equity Method in Separate Financial Statements<sup>1</sup></i>  |
| Amendments to HKFRS 10 and HKAS 28           | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | <i>Investment Entities: Applying the Consolidation Exception<sup>1</sup></i>                             |
| Amendments to HKFRS 11                       | <i>Accounting for Acquisitions of Interests in Joint Operations<sup>1</sup></i>                          |
| HKFRS 9 (2014)                               | <i>Financial Instruments<sup>2</sup></i>   |
| HKFRS 14                                     | <i>Regulatory Deferral Accounts<sup>1</sup></i>  |
| HKFRS 15                                     | <i>Revenue from Contracts with Customers<sup>2</sup></i>   |
| HKFRS 16                                     | <i>Lease<sup>3</sup></i>   |
| Amendments to HKFRSs                         | <i>Annual Improvements to HKFRSs 2012-2014 Cycle<sup>1</sup></i>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date is determined but is available for early adoption

The Directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and revised HKFRSs that are expected to have impact on the Group’s accounting policies are provided below. Other new and revised HKFRSs are not expected to have a material impact on the Group’s consolidated financial statements.

***HKFRS 9 (2014) Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) 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 of financial liabilities attributable to changes in the financial liabilities' 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.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### ***HKFRS 15 Revenue from Contracts with Customers***

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.



### ***HKFRS 16 Lease***

HKFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases. In contrast, HKFRS 16 does not include significant changes to the requirements for accounting by lessors. HKFRS 16 supersedes HKAS 17 Leases and its associated interpretative guidance. HKFRS 16 is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted for entities that have also adopted HKFRS 15 Revenue from Contracts with Customers. The Directors of the Company is yet to assess full impact on adoption of HKFRS 16.

### **3. REVENUE**

Revenue represents the net amounts received and receivable for services provided in the normal course of business. An analysis of the Group's revenue for the years ended 2016 and 2015 is as follows:

|   | <b>2016</b>            | 2015            |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Dividend income   | <b>105</b>             | 186             |
| Income from securities brokerage business                 | <b>15,975</b>          | 12,679          |
| Income from factoring business                            | <b>187</b>             | 38              |
| Interest income from money lending business               | <b>5,485</b>           | 6,501           |
| Income from insurance brokerage business                  | <b>11,024</b>          | 1,167           |
| Margin interest income from securities brokerage business | <b>10,106</b>          | 16,285          |
| Net gain (loss) on trading of listed securities           | <b>2,905</b>           | (2,026)         |
| Service income from corporate finance                     | <b>3,394</b>           | 9,545           |
| Others  | <b>26</b>              | 708             |
|   | <b>49,207</b>          | 45,083          |

### **4. SEGMENT INFORMATION**

Information reported to the Board, being the designated decision maker, for the purpose of resources allocation and assessment of segment performance focus is on the type of services provided. No operating segments identified by the designated 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 brokerage and margin financing segment engages in securities 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 and factoring segment engages in the provision of money lending and factoring services in Hong Kong; and
- 5) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong.

Information regarding the above segments is reported below.

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

|  | Brokerage and margin financing |               | Proprietary trading |                | Corporate finance |              | Money lending and factoring |              | Consultancy and insurance brokerage |              | Inter-segment elimination |                | Consolidated    |                  |
|--|--------------------------------|---------------|---------------------|----------------|-------------------|--------------|-----------------------------|--------------|-------------------------------------|--------------|---------------------------|----------------|-----------------|------------------|
|  | 2016                           | 2015          | 2016                | 2015           | 2016              | 2015         | 2016                        | 2015         | 2016                                | 2015         | 2016                      | 2015           | 2016            | 2015             |
|  | HK\$'000                       | HK\$'000      | HK\$'000            | HK\$'000       | HK\$'000          | HK\$'000     | HK\$'000                    | HK\$'000     | HK\$'000                            | HK\$'000     | HK\$'000                  | HK\$'000       | HK\$'000        | HK\$'000         |
| <b>Revenue</b>   |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                |                 |                  |
| External revenue   | 26,081                         | 28,964        | 3,010               | (1,840)        | 3,394             | 9,545        | 5,672                       | 6,539        | 11,050                              | 1,875        | -                         | -              | 49,207          | 45,083           |
| Inter-segment revenue (note)   | -                              | -             | -                   | -              | 50                | 300          | -                           | -            | 4,065                               | 3,332        | (4,115)                   | (3,632)        | -               | -                |
|  | <u>26,081</u>                  | <u>28,964</u> | <u>3,010</u>        | <u>(1,840)</u> | <u>3,444</u>      | <u>9,845</u> | <u>5,672</u>                | <u>6,539</u> | <u>15,115</u>                       | <u>5,207</u> | <u>(4,115)</u>            | <u>(3,632)</u> | <u>49,207</u>   | <u>45,083</u>    |
| Segment profit (loss)  | 22,803                         | (1,398)       | 2,664               | (2,246)        | (13,956)          | 677          | 13,289                      | (3,905)      | (7,958)                             | (6,101)      | -                         | -              | 16,842          | (12,973)         |
| Unallocated operating income   |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | 1,232           | 706              |
| Unallocated operating expense  |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | (43,361)        | (49,764)         |
| Change in fair value of derivative component of convertible loan notes   |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | (1,419)         | (2,712)          |
| Gain on disposal of plant and equipment                                  |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | 200             | -                |
| Loss on disposal of an associate   |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | (168)           | -                |
| Impairment loss recognised in respect of amount due from a joint venture |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | -               | (73,386)         |
| Share of profits of associates   |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | 5,577           | 840              |
| Share of losses of joint ventures  |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | (169)           | (2,830)          |
| Finance costs  |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | (21,416)        | (16,617)         |
| Loss before tax  |                                |               |                     |                |                   |              |                             |              |                                     |              |                           |                | <u>(42,682)</u> | <u>(156,736)</u> |

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) from each segment without allocation of central administrative expenses, directors' remunerations, change in fair value of derivative component of convertible loan notes, loss on disposal of an associate, impairment loss recognised in respect of amount due from a joint venture, share of profits of associates and share of losses of joint ventures, finance costs, certain interest income from financial institutions, gain on disposal of plant and equipment and certain other operating income. This is the measure reported to the designated decision maker for the purposes of resource allocation and performance assessment.

## Segment assets and liabilities

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

|                                     | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| <b>Segment assets</b>               |                         |                         |
| Brokerage and margin financing      | 248,053                 | 242,360                 |
| Proprietary trading                 | 24,282                  | 20,944                  |
| Corporate finance                   | 9,926                   | 6,964                   |
| Money lending and factoring         | 53,622                  | 20,473                  |
| Consultancy and insurance brokerage | 2,334                   | 926                     |
|                                     | <hr/>                   | <hr/>                   |
| Total segment assets                | 338,217                 | 291,667                 |
| Unallocated                         | 119,918                 | 186,276                 |
|                                     | <hr/>                   | <hr/>                   |
| <b>Consolidated assets</b>          | <b>458,135</b>          | <b>477,943</b>          |
|                                     | <hr/> <hr/>             | <hr/> <hr/>             |
| <b>Segment liabilities</b>          |                         |                         |
| Brokerage and margin financing      | 139,386                 | 139,863                 |
| Proprietary trading                 | 149                     | –                       |
| Corporate finance                   | 1,635                   | 122                     |
| Money lending and factoring         | 1,136                   | 785                     |
| Consultancy and insurance brokerage | 925                     | 432                     |
|                                     | <hr/>                   | <hr/>                   |
| Total segment liabilities           | 143,231                 | 141,202                 |
| Unallocated                         | 207,364                 | 182,894                 |
|                                     | <hr/>                   | <hr/>                   |
| <b>Consolidated liabilities</b>     | <b>350,595</b>          | <b>324,096</b>          |
|                                     | <hr/> <hr/>             | <hr/> <hr/>             |

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

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

## Other segment information

|  | Brokerage and<br>margin financing |          | Proprietary trading |          | Corporate finance |          | Money lending<br>and factoring |          | Consultancy and<br>insurance brokerage |          | Unallocated |          | Consolidated |          |
|--|-----------------------------------|----------|---------------------|----------|-------------------|----------|--------------------------------|----------|--|----------|-------------|----------|--------------|----------|
|  | 2016                              | 2015     | 2016                | 2015     | 2016              | 2015     | 2016                           | 2015     | 2016                                   | 2015     | 2016        | 2015     | 2016         | 2015     |
|  | HK\$'000                          | HK\$'000 | HK\$'000            | HK\$'000 | HK\$'000          | HK\$'000 | HK\$'000                       | HK\$'000 | HK\$'000                               | HK\$'000 | HK\$'000    | HK\$'000 | HK\$'000     | HK\$'000 |
| Amounts included in the measure<br>of segment results<br>or segment assets:  |                                   |          |                     |          |                   |          |                                |          |  |          |             |          |              |          |
| Additions to non-current assets ( <i>note</i> )                              | 724                               | -        | -                   | -        | -                 | -        | -                              | -        | -                                      | -        | 804         | 5,708    | 1,528        | 5,708    |
| Depreciation   | 282                               | 318      | -                   | -        | 1                 | 4        | -                              | -        | -                                      | -        | 1,494       | 1,902    | 1,777        | 2,224    |
| Reversal of impairment loss<br>recognised in respect of<br>trade receivables | (17,532)                          | (3,802)  | -                   | -        | (150)             | -        | -                              | -        | -                                      | -        | -           | -        | (17,682)     | (3,802)  |
| Reversal of impairment loss<br>recognised in respect of<br>loan receivable   | -                                 | -        | -                   | -        | -                 | -        | (10,000)                       | -        | -                                      | -        | -           | -        | (10,000)     | -        |
| Impairment loss recognised in respect<br>of trade receivables                | 5,116                             | 22,122   | -                   | -        | 1,388             | 150      | -                              | -        | -                                      | -        | -           | -        | 6,504        | 22,272   |
| Impairment loss recognised in respect<br>of loan receivables                 | -                                 | -        | -                   | -        | -                 | -        | -                              | 10,988   | -                                      | -        | -           | -        | -            | 10,988   |
| Impairment loss recognised in respect<br>of factoring receivable             | -                                 | -        | -                   | -        | -                 | -        | 13                             | -        | -                                      | -        | -           | -        | 13           | -        |
| Gain on disposal of plant and<br>equipment                                   | (160)                             | -        | -                   | -        | -                 | -        | -                              | -        | -                                      | -        | (40)        | (375)    | (200)        | (375)    |

*Note:* Non-current assets exclude financial instruments.

| Brokerage and margin financing |          | Proprietary trading |          | Corporate finance |          | Money lending and factoring |          | Consultancy and insurance brokerage |          | Unallocated |          | Consolidated |          |
|--------------------------------|----------|---------------------|----------|-------------------|----------|-----------------------------|----------|-------------------------------------|----------|-------------|----------|--------------|----------|
| 2016                           | 2015     | 2016                | 2015     | 2016              | 2015     | 2016                        | 2015     | 2016                                | 2015     | 2016        | 2015     | 2016         | 2015     |
| HK\$'000                       | HK\$'000 | HK\$'000            | HK\$'000 | HK\$'000          | HK\$'000 | HK\$'000                    | HK\$'000 | HK\$'000                            | HK\$'000 | HK\$'000    | HK\$'000 | HK\$'000     | HK\$'000 |

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:

|  |       |      |   |   |   |   |   |   |   |         |        |         |        |
|--|-------|------|---|---|---|---|---|---|---|---------|--------|---------|--------|
| Interests in associates  | -     | -    | - | - | - | - | - | - | - | 88,887  | 88,476 | 88,887  | 88,476 |
| Interests in joint ventures  | -     | -    | - | - | - | - | - | - | - | 1,135   | 1,355  | 1,135   | 1,355  |
| Interest income from financial institution                               | (58)  | (28) | - | - | - | - | - | - | - | (53)    | (193)  | (111)   | (221)  |
| Impairment loss recognised in respect of amount due from a joint venture | -     | -    | - | - | - | - | - | - | - | -       | 73,386 | -       | 73,386 |
| Change in fair value of derivative component of convertible loan notes   | -     | -    | - | - | - | - | - | - | - | 1,419   | 2,712  | 1,419   | 2,712  |
| Loss on disposal of associates   | -     | -    | - | - | - | - | - | - | - | 168     | -      | 168     | -      |
| Share of profits of associates   | -     | -    | - | - | - | - | - | - | - | (5,577) | (840)  | (5,577) | (840)  |
| Share of losses of joint ventures  | -     | -    | - | - | - | - | - | - | - | 169     | 2,830  | 169     | 2,830  |
| Finance costs  | 1,047 | 210  | - | - | - | - | - | - | - | 20,369  | 16,407 | 21,416  | 16,617 |
| Income tax expense   | -     | 431  | - | - | - | - | - | - | - | -       | -      | -       | 431    |

### Information about major customers

Revenue of HK\$7,916,000 was derived from a customer that contributed 16% to the Group's aggregate revenue for the year ended 31 March 2016 (2015: No customer individually contribute over 10% of the Group's aggregate revenue during the year).

### Geographical information

The Group's operations are mainly located and carried out in Hong Kong. Accordingly, no geographical information related to revenue has been presented. The following table sets out information about the Group's plant and equipment, club membership debentures, other non-current assets, goodwill, interests in associates and joint ventures ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| Hong Kong   | 79,565           | 80,805           |
| The People's Republic of China (the "PRC") or ("China") | 23,973           | 22,886           |
|   | <u>103,538</u>   | <u>103,691</u>   |

## 5. OTHER INCOME

|   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Handling income                             | 2,416                   | 5,093                   |
| Interest income from financial institutions | 111                     | 221                     |
| Loan arrangement fee income                 | –                       | 300                     |
| Management fee income                       | 1,440                   | 580                     |
| Gain on disposal of plant and equipment     | 200                     | 375                     |
| Exchange gain, net                          | –                       | 17                      |
| Sundry income                               | 1,424                   | 342                     |
|   | <u>5,591</u>            | <u>6,928</u>            |

## 6. FINANCE COSTS

|  | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest on bank and other borrowings        | 1,179                   | 981                     |
| Effective interest on corporate bonds        | 12,047                  | 7,615                   |
| Effective interest on convertible loan notes | 8,190                   | 8,021                   |
|  | <u>21,416</u>           | <u>16,617</u>           |

## 7. LOSS BEFORE TAX

Loss before tax after charging:

|  | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Auditor's remuneration   | 680                     | 800                     |
| Depreciation   | 1,777                   | 2,224                   |
| Exchange losses, net   | 17                      | –                       |
| Total staff costs:   |                         |                         |
| – directors' remuneration  | 6,195                   | 8,137                   |
| – salaries and allowance   | 33,268                  | 29,096                  |
| – retirement benefit scheme contributions (excluding directors)          | 967                     | 952                     |
|  | <u>40,430</u>           | <u>38,185</u>           |
| Impairment loss recognised in respect of trade receivables               | 6,504                   | 22,272                  |
| Impairment loss recognised in respect of loan receivables                | –                       | 10,988                  |
| Impairment loss recognised in respect of factoring receivable            | 13                      | –                       |
| Impairment loss recognised in respect of amount due from a joint venture | –                       | 73,386                  |
| Operating lease in respect of rented premises                            | 16,710                  | 17,073                  |
|  | <u>16,710</u>           | <u>17,073</u>           |

## 8. INCOME TAX EXPENSE

|   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Hong Kong Profits Tax                     |                         |                         |
| Under-provision in respect of prior years | —                       | 431                     |

No Hong Kong Profits Tax has been provided as the Group's assessable profit for the year ended 31 March 2016 has been fully absorbed by the tax losses brought forward from the prior years (2015: nil).

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 both years.

Under the New EIT Law of the PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries, associates and joint ventures from 1 January 2008 onwards (the “**Post-2008 Earnings**”). As at 31 March 2016 and 2015, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the Post-2008 Earnings. The Group did not have any material Post-2008 earnings as at 31 March 2016 and 2015.

## 9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting year (2015: 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:

|  | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b><u>Loss</u></b>   |                         |                         |
| Loss for the purpose of basic loss per share                                       | <u>(42,301)</u>         | <u>(156,732)</u>        |
| <b><u>Number of shares</u></b>   |                         |                         |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>3,418,386</u>        | <u>3,418,386</u>        |

Diluted loss per share was same as the basic loss per share for the years ended 31 March 2016 and 2015, as the effect of the conversion of the Company's outstanding convertible loan notes would result in a decrease in loss per share for the years ended 31 March 2016 and 2015.

## 11. TRADE RECEIVABLES

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

|   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables from the business of dealing in securities: |                         |                         |
| – Cash clients  | 5,278                   | 13,698                  |
| – Hong Kong Securities Clearing Company Limited (“HKSCC”)     | 3,416                   | 22,922                  |
| – Margin clients  | 162,176                 | 181,202                 |
| Trade receivables from other businesses                       | <u>2,354</u>            | <u>3,174</u>            |
|   | 173,224                 | 220,996                 |
| Less: Impairment loss recognised                              | <u>(73,205)</u>         | <u>(84,383)</u>         |
|   | <u><u>100,019</u></u>   | <u><u>136,613</u></u>   |

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 business.

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

The following is an aging analysis of trade receivables (excluded margin clients), net of impairment losses, as at 31 March 2016 and 2015 based on the invoice date which approximated the respective revenue recognition dates was as follows:

|                   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Less than 30 days | 7,347                   | 35,006                  |
| 31 to 60 days     | 201                     | 1,972                   |
| 61 to 90 days     | 442                     | 1,528                   |
| Over 90 days      | <u>1,104</u>            | <u>670</u>              |
|                   | <u><u>9,094</u></u>     | <u><u>39,176</u></u>    |

Trade receivables from cash and margin clients are secured by the clients’ pledged securities at fair values of approximately HK\$1,455,925,000 (2015: HK\$844,977,000) 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 clients are repayable on demand and bear interest at commercial rates. As at 31 March 2016, included in the total trade receivables, approximately HK\$71,717,000 (2015: HK\$101,090,000) were interest bearing whereas approximately HK\$28,302,000 (2015: HK\$35,523,000) were non-interest bearing. There is no repledge of the collateral from margin clients in both years.



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 are debtors with aggregate carrying amount of approximately HK\$5,377,000 (2015: HK\$6,677,000) which were past due as at 31 March 2016 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 as at 31 March 2016 and 2015, the aging analysis (subsequent to the settlement date) are as follows:

|                   | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Less than 30 days | <b>3,634</b>                   | 2,507                   |
| 31 to 60 days     | <b>281</b>                     | 1,871                   |
| 61 to 90 days     | <b>358</b>                     | 377                     |
| Over 90 days      | <b>1,104</b>                   | 1,922                   |
|                   | <u><b>5,377</b></u>            | <u>1,922</u>            |
|                   | <u><b>5,377</b></u>            | <u>6,677</u>            |

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\$826,698,000 over these balances (2015: HK\$394,427,000).

Movements in the impairment loss of trade receivables in aggregate during the years ended 31 March 2016 and 2015 are as follows:

|  | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Balance at beginning of the year           | <b>84,383</b>                  | 66,884                  |
| Amounts written off as uncollectible       | –                              | (971)                   |
| Reversal of impairment loss recognised     | <b>(17,682)</b>                | (3,802)                 |
| Impairment loss recognised during the year | <b>6,504</b>                   | 22,272                  |
|  | <u><b>73,205</b></u>           | <u>84,383</u>           |
| Balance at end of the year                 | <u><b>73,205</b></u>           | <u>84,383</u>           |

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK\$73,205,000 (2015: HK\$84,383,000) were individually impaired trade debtors who were in financial difficulties. During the years ended 31 March 2016 and 2015, no trade receivable was directly written off.

## 12. LOAN RECEIVABLES

|   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Non-current portion</b>                                |                         |                         |
| Secured loan receivables                                  | 2,265                   | –                       |
| Unsecured loan receivable                                 | 3,237                   | –                       |
|   | <u>5,502</u>            | <u>–</u>                |
| <b>Current portion</b>                                    |                         |                         |
| Secured loan receivables                                  | 32,275                  | 13,204                  |
| Unsecured loan receivables                                | 6,368                   | 14,848                  |
|   | <u>38,643</u>           | <u>28,052</u>           |
| Loan receivables before impairment loss recognised        | 44,145                  | 28,052                  |
| Impairment loss recognised in respect of loan receivables | –                       | (10,988)                |
| Total   | <u><u>44,145</u></u>    | <u><u>17,064</u></u>    |

The secured loan receivables are secured by second mortgage over certain property units (2015: equity shares of a listed company with fair value of approximately HK\$5,080,000 and second mortgage over a property unit) and bear interest at a fixed interest rate at 10% to 22% (2015: 12% to 20%) per annum.

The unsecured loan receivable carried interests at fixed interest rates at 25% (2015: 21.6% to 25%) per annum. The unsecured loan receivable is guaranteed by an independent third party as at 31 March 2016 (2015: guaranteed by a substantial shareholder and/or an independent third party).

The following table illustrated the aging analysis, net of impairment, based on the loan drawdown date, of the loan receivables outstanding as at 31 March 2016 and 2015:

|                   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Less than 30 days | 4,516                   | 1,276                   |
| 31 to 60 days     | 218                     | 265                     |
| 61 to 90 days     | 194                     | 1,433                   |
| Over 90 days      | 39,217                  | 14,090                  |
|                   | <u><u>44,145</u></u>    | <u><u>17,064</u></u>    |

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

The aging analysis of loan receivables that are past due but not considered to be impaired as at 31 March 2016 and 2015 is as follows:

|                   | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Less than 30 days | <b>323</b>                     | 373                     |
| 31 to 60 days     | <b>600</b>                     | 10,589                  |
| 61 to 90 days     | <b>600</b>                     | 157                     |
| Over 90 days      | <b>1,800</b>                   | 574                     |
|                   | <u><b>3,323</b></u>            | <u>11,693</u>           |

Movements in the impairment loss recognised in respect of loan receivables in aggregate during the year are as follows:

|  | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Balance at beginning of the year           | <b>10,988</b>                  | –                       |
| Reversal of impairment loss recognised     | <b>(10,000)</b>                | –                       |
| Amounts written off as uncollectable       | <b>(988)</b>                   | –                       |
| Impairment loss recognised during the year | <u>–</u>                       | <u>10,988</u>           |
| Balance at end of the year                 | <u><b>–</b></u>                | <u>10,988</u>           |

The impaired loan receivable of HK\$10,000,000 has been reversed during the year ended 31 March 2016 upon disposal of such loan receivable (2015: Impairment loss of approximately HK\$10,988,000 has been recognised during the year which is based on estimated irrecoverable amount by reference to the creditability of the customer, past default experience and subsequent settlement).

### **13. FACTORING RECEIVABLES**

The Group's factoring receivables arose from factoring services to companies in Hong Kong. The credit period granted to each customer is generally no later than 210 days for factoring services. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by management.

An aging analysis of the Group's factoring receivables as at 31 March 2016 and 2015, based on the date of the sales invoices is as follows:

|                   | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Less than 30 days | –                              | 3,409                   |
| 31 to 60 days     | <b>357</b>                     | –                       |
| 61 to 90 days     | <b>1,583</b>                   | –                       |
| Over 90 days      | <b>270</b>                     | –                       |
|                   | <u><b>2,210</b></u>            | <u>3,409</u>            |

The aging analysis of the Group's factoring receivables that are past due but not considered to be impaired as at 31 March 2016 and 2015 is as follows:

|                   | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Less than 30 days | <b>1,583</b>                   | 3,409                   |
| 31 to 60 days     | –                              | –                       |
| 61 to 90 days     | <b>270</b>                     | –                       |
|                   | <u><b>1,853</b></u>            | <u>3,409</u>            |

Impairment loss of approximately HK\$13,000 (2015: nil) recognised during the year ended 31 March 2016 is based on estimated irrecoverable amount by reference to the creditability of the customer, past default experience and subsequent settlement.

#### **14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS**

|  | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Trade payables from the business of dealing in securities: |                                |                         |
| – margin and cash clients                                  | <b>138,631</b>                 | 140,295                 |
| Other payables and accruals                                | <b>82,783</b>                  | 3,175                   |
|  | <u><b>221,414</b></u>          | <u>143,470</u>          |

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

## 15. SHARE CAPITAL

|  | Number of<br>shares<br>'000 | Amount<br>HK\$'000 |
|--|-----------------------------|--------------------|
| Authorised:  |                             |                    |
| Ordinary shares of HK\$0.1 each at<br>1 April 2014, 31 March 2015,<br>1 April 2015 and 31 March 2016 | <u>5,000,000</u>            | <u>500,000</u>     |
| Issued and fully paid:   |                             |                    |
| At 1 April 2014, 31 March 2015,<br>1 April 2015 and 31 March 2016                                    | <u>3,418,386</u>            | <u>341,839</u>     |

## 16. ACQUISITION OF AN ASSOCIATE/DISPOSAL OF AN ASSOCIATE

On 20 January 2015, Giant Talent Group Ltd. (“**Giant Talent**”), a directly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the vendor, an independent third party, pursuant to which the vendor has conditionally agreed to sell and Giant Talent has conditionally agreed to purchase 25% of the entire issued share capital of Prior Capital Limited (“**Prior Capital**”) for a consideration of HK\$2,500,000.

The transaction constitutes a discloseable transaction of the Company. Details of which were published in the Company’s announcement dated 20 January 2015. The acquisition was completed on 21 January 2015.

On 30 October 2015, Fortune Wealth Management Limited (“**Fortune Wealth**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of 20% of the entire issued share capital of Fortune Freedomess Wealth Management Limited (“**Fortune Freedomess**”) for a consideration of HK\$200,000. The disposal was subsequently completed on 4 November 2015.

Save as disclosed above, there was no material acquisition or disposal of the Group during the years ended 31 March 2016 and 2015.

## 17. COMMITMENTS

### (a) 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 six 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.

As at 31 March 2016 and 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|  | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Within one year                        | <b>13,797</b>                  | 15,005                  |
| In the second to fifth year, inclusive | <b>523</b>                     | 14,422                  |
|  | <b>14,320</b>                  | 29,427                  |

**(b) Capital commitment**

The Group had the following capital commitment as at 31 March 2016 and 2015:

|                                  | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|----------------------------------|--------------------------------|-------------------------|
| Contracted but not provided for: |                                |                         |
| Investment in a joint venture    | <b>5,853</b>                   | 6,144                   |

**18. EVENTS AFTER THE REPORTING YEAR**

On 31 March 2016, Promiseasy Limited (“**Promiseasy**”), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of 35% of the entire issued share capital of Measure Up International Limited (“**Measure Up**”) and the loan owed by Measure Up to Promiseasy for a consideration of HK\$73,000,000. The disposal will be completed on or before 30 June 2016. Details of which were published in the Company’s announcement dated 31 March 2016.

On 6 April 2016, the Group completed the issuance of a 12% coupon convertible loan note which was used to repay the amount due to Ever Step Holdings Limited (“**Ever Step**”) by the Company of HK\$40,384,615. The note was convertible into 310,650,884 new ordinary shares.

On 3 June 2016, Giant Talent entered into a sale and purchase agreement for the disposal of 25% of the entire issued share capital of Prior Capital to an independent third party to the Group, at the total consideration in the amount of approximately HK\$1,218,000 for the disposal and settlement of the profit guarantee. The disposal will be completed on or before 30 June 2016. Details of which were published in the Company’s announcement dated 3 June 2016.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

For the year ended 31 March 2016, revenue of the Group amounted to approximately HK\$49,207,000, representing an increase of approximately 9.15% from approximately HK\$45,083,000 for the year ended 31 March 2015.

The Group recorded a loss of approximately HK\$42,682,000 for the year ended 31 March 2016, as compared with the loss of approximately HK\$157,167,000 for the corresponding period in 2015. Net loss attributable to owners of the Company amounted to approximately HK\$42,301,000 for the reporting year, representing a decrease of approximately 73.01% comparing with the loss of approximately HK\$156,732,000 for the corresponding period in 2015. The drop in net loss attributable to owners of the Company was mainly due to (1) there was impairment loss recognised for the year ended 31 March 2015 in respect of an amount due from a joint venture; (2) increase in reversal of impairment losses in respect of trade receivables; (3) decrease in impairment losses recognised in respect of trade receivables; (4) net gain from disposal of loan receivable; and (5) increase in net gain recorded on listed securities trading, despite there has been a reduction of some segment revenue.

The basic and diluted loss per share of the Company for the reporting year was approximately HK1.24 cents as compared with the basic and diluted loss per share of approximately HK4.58 cents for the corresponding period in 2015.

### **BUSINESS REVIEW**

#### **Brokerage and margin financing**

The business of brokerage and margin financing is one of the main revenue streams of the Group. During the reporting year, the business of brokerage and margin financing recorded a revenue of approximately HK\$26,081,000, representing a decrease of approximately 9.95% as compared to the revenue of approximately HK\$28,964,000 for the corresponding period in 2015.

The Group's strategy is to focus and strength 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 houses.

## **Proprietary trading**

During the reporting year, all securities traded were shares listed on the Stock Exchange. The proprietary trading segment recorded a trading gain of approximately HK\$3,010,000 (2015: trading loss of approximately HK\$1,840,000) and recorded a segment gain of approximately HK\$2,664,000 (2015: segment loss of approximately HK\$2,246,000). The respective segment gain was due to an overall upswing in stock prices on securities held by the Group.

## **Corporate finance**

The corporate finance market was under a keen competition during the reporting year. Segment revenue from our corporate finance business decreased by approximately 65.02% from approximately HK\$9,845,000 to approximately HK\$3,444,000 while the segment loss for the year ended 31 March 2016 amounted to approximately HK\$13,956,000 as compared to a segment profit of approximately HK\$677,000 for the corresponding period in 2015.

## **Money lending and factoring**

During the reporting year, the money lending market was under intensive competition locally. The Group recorded an interest income from money lending and income from factoring of approximately HK\$5,672,000 (2015: approximately HK\$6,539,000), representing a decrease of approximately 13.26% as compared with the corresponding period in 2015.

## **Consultancy and insurance brokerage**

During the reporting year, the Group recorded a segment revenue from other business operations in providing other consultancy services and insurance brokerage services of approximately HK\$15,115,000 (2015: approximately HK\$5,207,000), representing an increase of approximately 1.90 times as compared with the corresponding period in 2015.

## **Disposal of an associate**

On 30 October 2015, Fortune Wealth, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of 20% of the entire issued share capital of Fortune Freedomess for a consideration of HK\$200,000. The disposal was subsequently completed on 4 November 2015.



## **MATERIAL ACQUISITION AND DISPOSAL**

On 31 March 2016, Promiseasy entered into a sale and purchase agreement with Celestial Tycoon Limited (“**Celestial Tycoon**”), an independent third party, pursuant to which Promiseasy conditionally agreed to sell and Celestial Tycoon conditionally agreed to purchase 35% of the entire issued share capital of Measure Up and the loan owed by Measure Up to Promiseasy for a consideration of HK\$73,000,000.

The transaction constitutes a discloseable transaction of the Company pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Details of which were published in the Company’s announcement dated 31 March 2016. The disposal will be completed on or before 30 June 2016.

Save as disclosed above, there was no material acquisition or disposal of the Group during the year ended 31 March 2016.

## **ISSUE OF CONVERTIBLE BONDS**

On 18 March 2016, the Company (as the issuer) entered into a subscription agreement (the “**Ever Step Subscription Agreement**”) with Ever Step, pursuant to which Ever Step agreed to subscribe for the convertible bonds in the principal amount of HK\$40,384,615 (the “**Convertible Bonds to Ever Step**”). Each of Ever Step and its ultimate beneficial owner(s) is not a connected person of the Company under the Listing Rules.

Ever Step is a company incorporated in the British Virgin Islands and is principally engaged in investment holdings. It is a wholly-owned subsidiary of Credit China Holdings Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (“**GEM**”).

Completion of the subscription under the Ever Step Subscription Agreement took place on 6 April 2016. The Convertible Bonds to Ever Step bear an interest rate of 12% per annum and mature in twelve calendar months from the date of issue of the Convertible Bonds to Ever Step at a conversion price of HK\$0.13 per conversion Share. Upon full conversion of the Convertible Bonds to Ever Step at the conversion price of HK\$0.13, a total number of 310,650,884 conversion shares will be issued, subject to adjustments to the conversion price of HK\$0.13.

The net amount raised through the issue of the Convertible Bonds to Ever Step is approximately HK\$40,000,000, which will be used for settlement of previous debt owed to Ever Step.

For details of the Ever Step Subscription Agreement and relevant transaction, please refer to the announcements of the Company dated 18 March 2016 and 6 April 2016.

## PROSPECTS

Shanghai-Hong Kong Stock Connect Scheme (the “**SHK Connect**”) is a key component to an increase of capital going south into the Hong Kong stock market. The SHK Connect has been running smoothly with recognised success since its launch in the year of 2015. Under the SHK Connect, the Hong Kong stock market serves as a good investment outlet for mainland investors to diversify their portfolios, and a gateway for mainland companies to expand their business.

The initial public offering (the “**IPO**”) market in Hong Kong remained active for the year of 2015 and inspired the trust of global investors. According to the statistics from the Stock Exchange, 138 companies completed listing on the Stock Exchange representing an increase of approximately 13.11% as compared to that in the year of 2014. Among these, 104 companies were listed on the main board of the Stock Exchange (“**Main Board**”), including 14 companies transferring from GEM to Main Board, and 34 companies opted for GEM listing. The market capitalization in the year of 2015 was approximately HK\$24,683.7 billion, which is approximately 1.55% slightly less than that of year of 2014 of approximately HK\$25,071.8 billion. However, the funds raised through IPOs for the year of 2015 were around HK\$263.1 billion with an increase of approximately 13.16% as compared with HK\$232.5 billion for the year of 2014. This presents Hong Kong still attract various companies to choose Hong Kong as their going public destination.

To capture this huge potential market pool, the Group allocated its resources in order to enhance its corporate finance and financial advisory services in the beginning of 2016. The Group expects this segment business will generate a synergy effect with the other businesses especially the business of brokerage and margin financing. The Group strongly believes the corporate finance business will reclaim its ranking as the Group’s largest revenue in the near future.

Meanwhile, the Group continued to sharpen its focus on the money lending business. The Group enhanced its financial strengths through financing exercises, and significantly expanded its lending capacity. Although the operating environment of money lending market was challenging due to weaker market sentiment and Hong Kong’s slowing economy, the Group anticipates the outlook of money lending shall not further worsen in the long run and non-bank money lenders still enjoy an edge of provision of flexible lending services. The Group will continue to strength the risk control on its money lending business and optimize the operation scale.

In the year of 2016, the Chinese government will, subject to market conditions, implement the Shenzhen-Hong Kong Stock Connect Scheme (the “**SZHK Connect**”) in due course. It is expected that the SZHK Connect will attract the inflow of more capital into the Hong Kong stock market and boost the transaction volume further, and will bring support to the Hong Kong stock market in the long term.

Looking ahead, the Group will continue to concentrate on developing brokerage and margin financing, proprietary trading, corporate finance and money lending as its core businesses, however the Group will constantly explore and evaluate new business opportunities with cautious and prudence in order to generate quality returns for Shareholders and strength the Group’s business and financial positions.

## **CAPITAL STRUCTURE**

As at 31 March 2016, the nominal value of the total issued share capital of the Company was approximately HK\$341,839,000 comprising 3,418,385,668 shares of the Company of HK\$0.10 each (the “Share”).

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 of the Group, the Group ensures each of them maintains a liquid capital level that is 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 reporting year, all the licensed subsidiaries of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

## **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 convertible loan notes, corporate bonds, cash and cash equivalents and equity attributable to owners of the Company, which comprises issued share capital and reserves.

The Directors review the capital structure regularly. As part of the review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group’s capital structure. The overall strategy of the Group remains unchanged during the years ended 31 March 2016 and 2015.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission (“SFC”) of Hong Kong and are required to comply with certain minimum capital requirements according to the rules of SFC. Our management monitors, on a daily basis, the subsidiaries’ liquid capital level to ensure they meet with the minimum liquid capital requirement in accordance with the Hong Kong 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.

One of the subsidiaries 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 of the Group members imposed by the respective regulators during the years ended 31 March 2016 and 2015.

## **LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO**

During the reporting year, the Group mainly financed its operations by cash generated from operating activities and issuance of the corporate bonds.

As at 31 March 2016, the Group's current assets and current liabilities were approximately HK\$349,095,000 (as at 31 March 2015: approximately HK\$374,252,000) and approximately HK\$232,906,000 (as at 31 March 2015: approximately HK\$225,603,000) respectively, while the current ratio was about 1.50 times (as at 31 March 2015: 1.66 times).

As at 31 March 2016, the Group's aggregate cash and cash equivalents amounted to approximately HK\$46,757,000 (as at 31 March 2015: approximately HK\$79,435,000), of which approximately 89.22% was denominated in Hong Kong dollars (as at 31 March 2015: approximately 98.31%), approximately 9.77% was denominated in United States dollars ("USD") (as at 31 March 2015: approximately 1.04%), and approximately 1.01% was denominated in Renminbi ("RMB") (as at 31 March 2015: approximately 0.65%), representing approximately 13.39% (as at 31 March 2015: approximately 21.23%) of total current assets. As at 31 March 2016, the Group had no bank and other borrowings (as at 31 March 2015: nil).

During the reporting year, no financial instruments were used for hedging purposes. As at 31 March 2016, the gearing ratio, measured on the basis of total borrowing as a percentage of equity attributable to owners of the Company, was approximately 118.22% (as at 31 March 2015: approximately 115.43%). The increase was mainly due to issuance of corporate bonds during the reporting year.

As at 31 March 2016, the debt ratio, defined as total debts over total assets was approximately 76.53% (as at 31 March 2015: approximately 67.81%).

During the years ended 31 March 2016 and 2015, the Group has issued 1 year to 7 years and 2 years to 7 years corporate bonds with aggregate face value of HK\$19,000,000 and HK\$67,500,000 to 10 and 19 independent third parties respectively, net of direct expenses of approximately HK\$3,772,000 and HK\$9,900,000 respectively, their maturity dates are from January 2017 to March 2023 and carry interest at fixed rate of 6% to 7% per annum with interest payable on the date falling on each anniversary of the issue date and maturity date of the corporate bonds (both dates exclusive). The corporate bonds are unsecured.

In addition, corporate bonds with aggregate face value of HK\$10,810,000 have been renewed upon maturity during the reporting year. Upon completion of renewal, their maturity dates are from January 2018 to December 2020 and carry interest at fixed rate of 7% per annum.

## **SIGNIFICANT INVESTMENT**

As at 31 March 2016, the Group held financial assets at fair value through profit or loss of approximately HK\$19,723,000 (as at 31 March 2015: approximately HK\$20,944,000).

## **CONTINGENT LIABILITIES**

As at 31 March 2016, the Group has no material contingent liabilities (as at 31 March 2015: approximately RMB21,700,000 (equivalent to approximately HK\$27,372,000)).

## **CHARGE ON THE GROUP'S ASSETS**

No asset of the Group was subject to any charge as at 31 March 2016 (as at 31 March 2015: 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 reporting 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**

As at 31 March 2016, the Group had 75 employees in total (as at 31 March 2015: 84 employees). The related employees' costs for the reporting year (excluding directors' remunerations) amounted to approximately HK\$34,235,000 (as at 31 March 2015: approximately HK\$30,048,000). 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. No share option was granted, exercised, lapsed or cancelled during the year ended 31 March 2016 under the share option scheme, and no option remained outstanding under the share options scheme as at 31 March 2016.

## **LITIGATION**

In April 2014, a writ of summons was issued by a third party in liquidation (the "**Plaintiff**") against Fortune (HK) Securities Limited ("**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 him 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 result announcement, the said legal action is still pending.

## **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 reporting year.

## **EVENTS AFTER THE REPORTING YEAR**

Details of the events after the reporting year are set out in note 18 to this results announcement.

## **CORPORATE GOVERNANCE**

The Company's commitment to the highest standards of corporate governance is driven by the Board which, led by the chairman, assume overall responsibility for the governance of the Company, taking into account the interests of the shareholders of the Company (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 "CG Code") as set out in Appendix 14 to the Listing Rules.

## **CORPORATE GOVERNANCE CODE COMPLIANCE**

Throughout the reporting year, the Company has complied with all code provisions and, where appropriate, met the recommended best practices in the CG Code.

During the reporting year, the changes in the Board were as follows:

- Mr. WONG Kam Choi MH was appointed and Mr. WONG Kam Fat Tony has resigned as an executive Director and the Chairman of the Company on 26 November 2015;
- Mr. TANG Baoqi was appointed as a non-executive Director on 2 March 2016.

On 26 November 2015, Mr. WONG Kam Choi MH was appointed as a member of the Remuneration Committee in place of Mr. WONG Kam Fat Tony who ceased to be a member of the Remuneration Committee following his resignation as an executive Director on the aforesaid date.

## **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. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the reporting year.

## **REVIEW OF FINANCIAL INFORMATION**

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang and Mr. TAM B Ray Billy.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Company for the year ended 31 March 2016.

## **SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been agreed by the Group's auditors, Grant Thornton Hong Kong Limited ("Grant Thornton"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2016. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

## **PUBLICATION OF THE ANNUAL REPORT**

The annual report for the year will be dispatched to the Shareholders and published on the websites of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.290.com.hk](http://www.290.com.hk) in due course.

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

Hong Kong, 23 June 2016

*As at the date of this announcement, the Board consists of four executive Directors, namely Mr. WONG Kam Choi MH (Chairman), Mr. NG Cheuk Fan Keith (Managing Director), Mr. HON Chun Yu and Mr. XIA Yingyan; two non-executive Directors, namely Mr. TANG Baoqi and Mr. WU Ling; and three independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok and Mr. TAM B Ray Billy.*