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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 2015

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 2015 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 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Turnover	3	45,083	51,140
Cost of securities brokerage and margin financing		(4,973)	(4,276)
Other revenue	5	6,928	2,590
Depreciation		(2,224)	(5,905)
Salaries and allowances		(38,185)	(45,016)
Reversal of impairment loss recognised in respect of trade receivables		3,802	39,550
Change in fair value of derivative component of convertible loan notes		(2,712)	(3,462)
Gain on disposal of a subsidiary	16	–	347
Impairment loss recognised in respect of trade receivables		(22,272)	(4,653)
Impairment loss recognised in respect of interests in joint ventures		–	(7,044)
Impairment loss recognised in respect of amount due from a joint venture		(73,386)	–
Other operating and administrative expenses		(39,202)	(36,889)
Impairment loss recognised in respect of loan receivables		(10,988)	–
Share of profits of associates		840	11,488
Share of (losses) profits of joint ventures		(2,830)	289
Finance costs	6	(16,617)	(13,750)

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before tax	7	(156,736)	(15,591)
Income tax expense	8	(431)	(32)
		<hr/>	<hr/>
Loss for the year		(157,167)	(15,623)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		255	19
Share of other comprehensive income of associates		90	676
Share of other comprehensive income of joint ventures		141	–
		<hr/>	<hr/>
Other comprehensive income for the year		486	695
		<hr/>	<hr/>
Total comprehensive expense for the year		(156,681)	(14,928)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
Owners of the Company		(156,732)	(15,254)
Non-controlling interests		(435)	(369)
		<hr/>	<hr/>
		(157,167)	(15,623)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(156,247)	(14,563)
Non-controlling interests		(434)	(365)
		<hr/>	<hr/>
		(156,681)	(14,928)
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	<i>10</i>		
Basic and diluted		(4.58)	(0.46)
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		3,026	3,604
Intangible assets		–	–
Club membership debentures		6,610	6,610
Other non-current assets		230	230
Goodwill		3,994	3,994
Available-for-sale financial assets		–	–
Interests in associates		88,476	85,048
Interests in joint ventures		1,355	2,919
		<hr/>	<hr/>
		103,691	102,405
Current assets			
Amount due from a joint venture		–	73,000
Investments held for trading		20,944	22,464
Trade receivables	<i>11</i>	136,613	119,447
Loan receivables	<i>12</i>	17,064	33,476
Factoring receivables	<i>13</i>	3,409	–
Amount due from an investee company		–	–
Other receivables, deposits and prepayments		7,611	6,848
Derivative component of convertible loan notes		1,419	3,359
Amount due from a non-controlling shareholder of a subsidiary		125	125
Bank balances and cash – trust		107,632	119,354
Bank balances and cash – general		79,435	87,011
		<hr/>	<hr/>
		374,252	465,084

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current liabilities			
Trade payables, other payables and accruals	<i>14</i>	143,470	140,195
Convertible loan notes		70,641	41,242
Corporate bonds		10,772	–
Tax payable		720	720
		<u>225,603</u>	<u>182,157</u>
Net current assets		<u>148,649</u>	<u>282,927</u>
Total assets less current liabilities		<u>252,340</u>	<u>385,332</u>
Capital and reserves			
Share capital	<i>15</i>	341,839	341,839
Reserves		<u>(187,211)</u>	<u>(32,186)</u>
Equity attributable to owners of the Company		154,628	309,653
Non-controlling interests		<u>(781)</u>	<u>(361)</u>
Total equity		<u>153,847</u>	<u>309,292</u>
Non-current liabilities			
Corporate bonds		98,493	47,766
Convertible loan notes		<u>–</u>	<u>28,274</u>
		<u>98,493</u>	<u>76,040</u>
		<u>252,340</u>	<u>385,332</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands and 35/F, Office Tower, Convention Plaza, Wanchai, Hong Kong respectively.

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

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

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

In current year, the Group has applied the following new and revised HKFRSs, which includes HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”), amendments and Interpretation (“**Int(s)**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Amendments to HKFRS 10, HKFRS 12 and HKAS27	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 (IFRS Interpretations Committee) (“ HK(IFRIC) ”)-Int 21	Levies

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments have been applied retrospectively. The Group has certain financial assets and financial liabilities that qualify for offset and has therefore prepared the corresponding note to offset and disclose the amounts in the consolidated financial statements. As at 31 March 2015, trade payable of approximately HK\$16,460,000 was offset against related trade receivable in the consolidated statement of financial position.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2018.

The Directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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 2017 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.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvement to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- i) when the intangible asset is expressed as a measure of revenue;
- ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the Directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- i) at cost;
- ii) in accordance with HKFRS 9 (or HKAS 39); or
- iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

The Directors of the Company anticipate that the application of HKAS 27 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of amendments to HKAS 27 until the Group performs a detailed review.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising

from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The amendments to HKFRS 10 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group has entered into certain transactions with certain associates, the Directors of the Company anticipate that the application of HKFRS 10 and HKAS 28 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 amendments to HKFRS 10 and HKAS 28 until the Group performs a detailed review.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Directors of the Company anticipate that the application of amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

3. TURNOVER

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividend income	186	251
Income from securities brokerage business	12,679	9,760
Income from factoring business	38	–
Interest income from money lending business	6,501	4,852
Margin interest income from securities brokerage business	16,285	11,538
Net (loss) gain on trading of listed securities	(2,026)	12,149
Others	1,875	2,608
Service income from corporate finance	9,545	9,982
	<hr/> 45,083 <hr/>	<hr/> 51,140 <hr/>

4. SEGMENT INFORMATION

Information reported to the Board of Directors, 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 broking and margin financing segment engages in securities and margin financing in Hong Kong.
- 2) The proprietary trading segment engages in proprietary trading of securities.
- 3) The corporate finance segment engages in the provision of corporate finance services in Hong Kong.
- 4) The money lending segment engages in the provision of money lending services in Hong Kong.
- 5) Others.

Other operations include consultancy services and insurance brokerage income.

Information regarding the above segments is reported below.

Segment revenues and results

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

For the year ended 31 March

	Broking and margin financing		Proprietary trading		Corporate finance		Money lending		Others		Inter-segment elimination		Consolidated	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover														
External turnover	28,964	21,298	(1,840)	12,400	9,545	9,982	6,539	4,852	1,875	2,608	-	-	45,083	51,140
Inter-segment turnover (note)	-	391	-	-	300	100	-	-	3,332	3,621	(3,632)	(4,112)	-	-
	<u>28,964</u>	<u>21,689</u>	<u>(1,840)</u>	<u>12,400</u>	<u>9,845</u>	<u>10,082</u>	<u>6,539</u>	<u>4,852</u>	<u>5,207</u>	<u>6,229</u>	<u>(3,632)</u>	<u>(4,112)</u>	<u>45,083</u>	<u>51,140</u>
Segment profit (loss)	(1,829)	33,152	(2,246)	11,796	677	685	(3,905)	(86)	(6,101)	(2,854)	-	-	(13,404)	42,693
Unallocated operating income													706	425
Unallocated operating expense													(49,764)	(46,609)
Change in fair value of derivative component of convertible loan notes													(2,712)	(3,462)
Gain on disposal of a subsidiary													-	347
Impairment loss recognised in respect of interests in joint ventures													-	(7,044)
Impairment loss recognised in respect of amount due from a joint venture													(73,386)	-
Share of profits of associates													840	11,488
Share of (losses) profits of joint ventures													(2,830)	289
Finance costs													(16,617)	(13,750)
Loss after tax													(157,167)	(15,623)

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) from each segment without allocation of central administration expenses, directors' salaries, change in fair value of derivative component of convertible loan notes, gain on disposal of a subsidiary, impairment loss recognised in respect of interests in joint ventures/amount due from a joint venture, share of (losses) profits of associates and 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:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets		
Broking and margin financing	242,360	238,375
Proprietary trading	20,944	22,464
Corporate finance	6,964	5,237
Money lending	20,473	33,476
Others	926	791
	<hr/>	<hr/>
Total segment assets	291,667	300,343
Unallocated	186,276	267,146
	<hr/>	<hr/>
Consolidated assets	477,943	567,489
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Broking and margin financing	139,863	135,595
Corporate finance	122	228
Money lending	785	–
Others	432	1,062
	<hr/>	<hr/>
Total segment liabilities	141,202	136,885
Unallocated	182,894	121,312
	<hr/>	<hr/>
Consolidated liabilities	324,096	258,197
	<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, goodwill, interests in associates and joint ventures, amount due from a joint venture, certain trade and other receivables, deposits and prepayments, amount due from a non-controlling shareholder of a subsidiary, 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

For the year ended 31 March	Broking and		Proprietary trading		Corporate finance		Money lending		Others		Unallocated		Consolidated	
	margin financing													
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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 of segment profit (loss) or segment assets:														
Additions to non-current assets (<i>note</i>)	-	-	-	-	-	-	-	-	-	-	5,708	59,193	5,708	59,193
Depreciation	318	333	-	-	4	7	-	-	-	4	1,902	5,561	2,224	5,905
Reversal of impairment recognised in respect of trade receivables	(3,802)	(39,550)	-	-	-	-	-	-	-	-	-	-	(3,802)	(39,550)
Written off of trade receivables	971	-	-	-	-	-	-	-	-	-	-	-	971	-
Impairment loss recognised in respect of trade receivables	22,122	4,653	-	-	150	-	-	-	-	-	-	-	22,272	4,653
Impairment loss recognised in respect of loan receivables	-	-	-	-	-	-	10,988	-	-	-	-	-	10,988	-
Gain on disposal of plant and equipment	-	(15)	-	-	-	-	-	-	-	-	(375)	-	(375)	(15)
	<u>-</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(375)</u>	<u>-</u>	<u>(375)</u>	<u>(15)</u>

Note: Non-current assets exclude financial instruments.

For the year ended 31 March	Broking and		Proprietary		Corporate finance		Money lending		Others		Unallocated		Consolidated	
	margin financing		trading											
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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 designated decision maker but not included in the measure of segment profit (loss) or segment assets:														
Interests in associates	-	-	-	-	-	-	-	-	-	-	88,476	85,048	88,476	85,048
Interests in joint ventures	-	-	-	-	-	-	-	-	-	-	1,355	2,919	1,355	2,919
Interest income from financial institutions	(28)	(33)	-	-	-	-	-	(3)	-	-	(193)	(85)	(221)	(121)
Impairment loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	8	-	8
Impairment loss recognised in respect of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	7,044	-	7,044
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	-	-	-	-	-	-	-	-	-	-	2,712	3,462	2,712	3,462
Gain on disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(347)	-	(347)
Share of profits of associates	-	-	-	-	-	-	-	-	-	-	(840)	(11,488)	(840)	(11,488)
Share of losses (profits) of joint ventures	-	-	-	-	-	-	-	-	-	-	2,830	(289)	2,830	(289)
Finance costs	210	1,040	-	-	-	-	-	-	-	-	16,407	12,710	16,617	13,750
Income tax expense	431	-	-	-	-	-	-	-	-	32	-	-	431	32

Information about major customers

For the years ended 31 March 2015 and 2014, the Group did not have any customer contributed more than 10% of the Group's aggregate revenue.

Geographical information

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

5. OTHER REVENUE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Handling charges	5,093	1,688
Interest income from financial institutions	221	121
Loan arrangement fee income	300	500
Management fee income	580	–
Gain on disposal of plant and equipment	375	15
Exchange gain	17	–
Sundry income	342	266
	<u>6,928</u>	<u>2,590</u>

6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank and other borrowings	981	3,425
Effective interest on corporate bond interests	7,615	1,593
Effective interest expenses on convertible loan notes	8,021	8,732
	<u>16,617</u>	<u>13,750</u>

7. LOSS BEFORE TAX

Loss before tax has been arrived after charging:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor's remuneration	800	800
Exchange loss	–	164
Total staff costs:		
– directors' remuneration	8,315	13,039
– salaries and allowance	28,918	31,073
– retirement benefit scheme contributions (excluding directors)	952	904
	<u>38,185</u>	<u>45,016</u>
Impairment loss recognised in respect of available-for-sale financial assets	–	8
Impairment loss recognised in respect of loan receivables	10,988	–
Impairment loss recognised in respect of amount due from a joint venture	73,386	–
Operating lease in respect of rented premises	17,073	15,560
	<u>109,632</u>	<u>70,144</u>

8. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong Profits tax		
Under-provision for prior years	<u>431</u>	<u>32</u>

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

Under the Law of the People's Republic of China ("the PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during 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 2015 and 2014, deferred taxation has not been provided for in the consolidation financial statements in respect of temporary difference attributable to the Post-2008 Earnings. The Group did not have any material Post-2008 earnings as at 31 March 2015 and 2014.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2015, nor has any dividend been proposed since the end of the reporting period (2014: 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<u>Loss</u>		
Loss for the purpose of basic loss per share	<u>(156,732)</u>	<u>(15,254)</u>
<u>Number of shares</u>	2015	2014
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>3,418,386</u>	<u>3,334,056</u>

Diluted loss per share was same as the basic loss per share for the years ended 31 March 2015 and 2014, 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 2015 and 2014.

11. TRADE RECEIVABLES

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables from the business of dealing in securities:		
– Cash clients	13,698	8,171
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	22,922	4,036
– Margin clients	181,202	172,414
Trade receivables from other businesses	<u>3,174</u>	<u>1,710</u>
	220,996	186,331
Less: Impairment loss recognised	<u>(84,383)</u>	<u>(66,884)</u>
	<u><u>136,613</u></u>	<u><u>119,447</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 ageing analysis is disclosed for the Group’s margin clients as these margin clients were carried on an open account basis, the Directors of the Company consider that the ageing analysis does not give additional value in the view of the nature of business of margin financing.

The following is an aged analysis of trade receivables (excluded margin clients), net of impairment losses, at the end of the reporting period based on the invoice date which approximated the respective revenue recognition dates was as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 30 days	35,006	11,834
31 to 60 days	1,972	451
61 to 90 days	1,528	145
Over 90 days	<u>670</u>	<u>1,079</u>
	<u><u>39,176</u></u>	<u><u>13,509</u></u>

Trade receivables from cash and margin clients are secured by the clients’ pledged securities at fair values of approximately HK\$844,977,000 (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. The trade receivables from cash and margin customers are repayable on demand and bear interest at commercial rates. As at 31 March 2015, included in the total trade receivables, approximately HK\$101,090,000 (2014: HK\$106,966,000) were interest bearing whereas approximately HK\$35,523,000 (2014: HK\$12,481,000) 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 from cash clients are debtors with aggregate carrying amount of approximately HK\$6,677,000 (2014: HK\$2,737,000) which were past due as at 31 March 2015 for which the Group has not provided for impairment loss.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 30 days	2,507	1,062
31 to 60 days	1,871	451
61 to 90 days	377	145
Over 90 days	1,922	1,079
	<u>6,677</u>	<u>2,737</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\$394,427,000 over these balances (2014: HK\$390,280,000).

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Balance at beginning of the year	66,884	101,781
Amounts written off as uncollectible	(971)	–
Reversal of impairment loss recognised	(3,802)	(39,550)
Impairment loss during the year	22,272	4,653
	<u>84,383</u>	<u>66,884</u>

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK\$84,383,000 (2014: HK\$66,884,000) were individually impaired trade debtors who were in financial difficulties. During the year ended 31 March 2015 and 2014, no trade receivable was directly written off.

12. LOAN RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Secured loan receivables	13,204	20,110
Unsecured loan receivables	14,848	13,366
	28,052	33,476
Impairment loss recognised in respect of loan receivables	(10,988)	–
	17,064	33,476

The secured loan receivables are secured by the equity shares of a listed company (2014: equity shares of a listed company) and bear interest at a fixed interest rate at 12% to 20% (2014: 10% to 15%) per annum. The Group holds the pledged securities at fair values of approximately HK\$5,080,000 over these balances (2014: HK\$16,892,000) and holds the pledged property unit.

The unsecured loan receivables carried interest at fixed rates at 21.6% to 25% (2014: 22% to 30%) per annum. All unsecured loan receivables are guaranteed by a substantial shareholder and/or an independent third party as at 31 March 2015 and 2014.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 30 days	1,276	561
31 to 60 days	265	3,156
61 to 90 days	1,433	1,653
Over 90 days	14,090	28,106
	17,064	33,476

Included in the Group's loan receivables balance, no balance were past due as at 31 March 2015 and 31 March 2014 for which the Group has not provided for impairment loss.

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

Impairment loss of approximately HK\$10,988,000 (2014: nil) recognised during the year ended 31 March 2015 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 aged analysis of the Group's factoring receivables as at the end of the reporting period, based on the date of the sales invoices is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 30 days	3,409	–

The aged analysis of the Group's factoring receivables that are not considered to be impaired is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 30 days	3,409	–

The Directors of the Company are of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables from the business of dealing in securities:		
– margin and cash clients	140,295	134,161
– HKSCC	–	1,914
Other payables and accruals	<u>3,175</u>	<u>4,120</u>
	<u><u>143,470</u></u>	<u><u>140,195</u></u>

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

As at 31 March 2015, the Group had other payables and accruals of approximately HK\$nil (2014: HK\$202,000) which were denominated in USD other than the functional currencies of the relevant group entities.

15. SHARE CAPITAL

	Number of shares <i>HK\$'000</i>	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 each at 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	<u>5,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2013	3,166,086	316,609
Issue of shares (<i>note</i>)	<u>252,300</u>	<u>25,230</u>
At 31 March 2014, 1 April 2014 and 31 March 2015	<u><u>3,418,386</u></u>	<u><u>341,839</u></u>

Note: On 1 August 2013, the Company has completed to place 252,300,000 ordinary shares of the Company at the price of HK\$0.10 per placing share to certain independent third parties. Details of the transaction were set out in the Company's announcements dated 18 July 2013 and 1 August 2013.

All new shares issued during the year ended 31 March 2014 ranked pari passu in all respects with other shares in issue.

16. 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 (“**Pegasus Financial**”) to Total Icon Limited, an independent third party of the Group.

HK\$'000

Consideration received:

Cash received	1,150
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Analysis of assets and liabilities over which control was lost:

HK\$'000

Trade and other receivables	857
Bank balances and cash – general	18
Trade and other payables	(72)

Net assets disposed of	803
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Gain on disposal of a subsidiary:

Consideration received	1,150
Net assets disposed of	(803)

Gain on disposal	347
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Net cash inflow arising on disposal:

Cash consideration	1,150
Less: bank balances and cash disposed of	(18)

1,132

17. ACQUISITION OF AN ASSOCIATE

On 20 January 2015, Giant Talent Group Ltd. (“**Giant Talent**”), a directly wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Ms. KWONG Mei Ling Merlin (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 capital of Prior Capital Limited (“**Prior Capital**”) for a consideration of HK\$2.5 million.

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.

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

18. COMMITMENTS

(i) Operating lease commitments

The Group as lessee

The Group leases certain of its office premises under operating lease arrangements. Lease for properties are negotiated for a term ranging from three months to three years and rentals are fixed at the inception of lease. No provision for contingent rent and terms of renewal were established in the lease.

Minimum lease payments paid under operating leases during the year:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Premises	<u>17,073</u>	<u>15,560</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	15,005	4,006
In the second to fifth years, inclusive	<u>14,422</u>	<u>777</u>
	<u>29,427</u>	<u>4,783</u>

(ii) Capital commitment

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracted but not provided for:		
Investment in a joint venture	<u>6,144</u>	<u>7,279</u>

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2015, turnover of the Group amounted to approximately HK\$45,083,000, representing a decrease of approximately 11.84% from approximately HK\$51,140,000 for the year ended 31 March 2014.

The Group recorded a loss for the year of approximately HK\$157,167,000, as compared with the loss of approximately HK\$15,623,000 in the last year. The loss for the year was principally attributable to (i) the loss recorded in proprietary trading of securities by the Group; (ii) a significant decrease in reversal of impairment loss in respect of trade receivables; (iii) a significant increase in impairment loss recognised in respect of trade receivables; (iv) an increase in provision of loan receivables; and (v) impairment loss recognised in respect of the amount due from a joint venture.

Net loss attributable to owners of the Company for the year amounted to approximately HK\$156,732,000, representing an increase of approximately 927.48% comparing with the loss of approximately HK\$15,254,000 in last year. The basic and diluted loss per share for the year was approximately HK4.58 cents as compared with the basic and diluted loss per share of approximately HK0.46 cent in last year.

BUSINESS REVIEW

Broking and margin financing

A pilot programme that links the stock market in Shanghai and Hong Kong for stock trading and settlement (“**Shanghai-Hong Kong Stock Connect**”) stimulated the rebound of stock markets in mainland China and Hong Kong. The Group’s trading volumes and commission income increase in the reporting year and the Group recorded a segment loss of approximately HK\$1,829,000. The Group anticipated that policies introduced in succession will attract capital influx into the Hong Kong market.

Proprietary trading

During the year under review, all securities traded were shares listed on the Stock Exchange.

The proprietary trading segment recorded a trading loss of approximately HK\$1,840,000 (2014: trading profit of approximately HK\$12,400,000) and incurred a loss of approximately HK\$2,246,000 (2014: profit of approximately HK\$11,796,000). The respective segment loss was mainly due to fluctuation in stock prices on securities held by the Group.

Corporate finance

The corporate finance market was under a keen competition during the reporting year. Revenue from our corporate finance business slightly decreased by approximately 2.35% from approximately HK\$10,082,000 to approximately HK\$9,845,000 while the segment profit amounted to approximately HK\$677,000 for the year ended 31 March 2015 as compared to a segment profit of approximately HK\$685,000 last year.

Money lending

During the reporting year, despite the money lending market was under intensive competition locally, the Group recorded an increase in interest income to approximately HK\$6,539,000 for the year ended 31 March 2015 from approximately HK\$4,852,000 in last year.

Other businesses

During the reporting year, the Group recorded a turnover from other business operation in providing other consultancy services and insurance brokerage services of approximately HK\$5,207,000 (2014: approximately HK\$6,229,000).

MATERIAL ACQUISITION

On 20 January 2015, Giant Talent Group Ltd. (“**Giant Talent**”), a directly wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Ms. KWONG Mei Ling Merlin (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 capital of Prior Capital Limited (“**Prior Capital**”) for a consideration of HK\$2.5 million.

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.

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

ISSUE OF CONVERTIBLE BONDS

On 10 February 2015, the Company (as the issuer) entered into a subscription agreement (the “**Subscription Agreement**”) with Ever Step Holdings Limited (the “**Subscriber**”), an independent third party, pursuant to which, the Subscriber has agreed to subscribe for the convertible bonds in the principal amount of HK\$40,384,615 (the “**Convertible Bonds**”).

The Subscriber 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.

Completion of the subscription under the Subscription Agreement took place on 25 February 2015. The Convertible Bonds bear an interest rate of 12% per annum and mature in twelve calendar months from the date of issue of the Convertible Bonds at a conversion price of HK\$0.13 (the “**Conversion Price**”) per conversion share (“**Conversion Share**”). Upon full conversion of the Convertible Bonds at the Conversion Price, a total of 310,650,884 Conversion Shares will be issued, subject to adjustments to the Conversion Price.

The net proceeds from the issue of the Convertible Bonds of HK\$40,384,615 will be used for repayment of debts and/or as general working capital of the Group.

For details of the Subscription Agreement and relevant transaction, please refer to the announcements of the Company dated 10 February 2015 and 25 February 2015.

PROSPECTS

Despite the constantly changing stock market in Hong Kong, the impact of the slowdown of economic growth in the mainland China, 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 (“**CSRC**”) and the Securities & Futures Commission (“**SFC**”) of Hong Kong have approved, in principle, the development through Shanghai-Hong Kong Stock Connect for establishing mutual stock market access between mainland China and Hong Kong.

The Shanghai-Hong Kong Stock Connect is an important step towards the opening up of the mainland 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 mainland China to be relatively optimistic and the programme might have a positive impact on the securities business of the Group.

The initial public offering (the “**IPO**”) market in Hong Kong was more active for the calendar year of 2014 and there were approximately 122 newly listed companies for the calendar year 2014. There was an increase of approximately 11% when compared with approximately 110 for the calendar year 2013 and the number includes any transfers of listing from Growth Enterprise Market to Main Board of the Stock Exchange. The funds raised through IPOs for the calendar year 2014 were approximately HK\$227,741 million and there was an increase of approximately 35% when compared with approximately HK\$168,960 million for the calendar year 2013. The market capitalization in calendar year 2014 is HK\$25,071.8 billion, which is approximately 4% more than that of calendar year 2013 of HK\$24,042.8 billion. We expect there will be an increase in our sponsorship business.

For expanding our money lending business, the Group has introduced the mortgage and factoring businesses during the reporting year. We expect the respective introduction will broaden the revenue base of the business of our Group.

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 in order to enhance shareholder’s value.

CAPITAL STRUCTURE

As at 31 March 2015, 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 “**Shares**”).

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the reporting year, all 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 remained unchanged during the two years ended 31 March 2015 and 2014.

For certain subsidiaries of the Group, they are regulated by the SFC 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 it meets the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules. The range of liquid capital is from HK\$100,000 to HK\$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

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 2015 and 2014.

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 2015, the Group's current assets and current liabilities were approximately HK\$374,252,000 (as at 31 March 2014: approximately HK\$465,084,000) and approximately HK\$225,603,000 (as at 31 March 2014: approximately HK\$182,157,000) respectively, while the current ratio was about 1.66 times (as at 31 March 2014: 2.55 times).

As at 31 March 2015, the Group's aggregate cash and cash equivalents amounted to approximately HK\$79,435,000 (as at 31 March 2014: approximately HK\$87,011,000), of which approximately 98.31% was denominated in Hong Kong dollars, approximately 1.04% was denominated in USD and approximately 0.65% was denominated in Renminbi ("RMB"), representing approximately 21.23% (as at 31 March 2014: approximately 18.71%) of total current assets. As at 31 March 2015, the Group had no bank and other borrowings (as at 31 March 2014: nil).

During the reporting year, no financial instruments were used for hedging purposes. As at 31 March 2015, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 115.43% (as at 31 March 2014: approximately 36.79%). The increase was mainly due to issuance of corporate bonds during the reporting year.

As at 31 March 2015, the debt ratio, defined as total debts over total assets, was approximately 67.81% (as at 31 March 2014: approximately 45.50%).

As at 31 March 2014 and 31 March 2015, the Group has issued 2 to 7 and a half years corporate bonds with aggregate principal amounts of HK\$53,810,000 and HK\$67,500,000 to 8 and 19 independent third parties respectively, net of direct expenses of approximately HK\$7,637,000 and HK\$9,900,000 respectively, their maturity dates are from December 2015 to March 2022, and carry interest at fixed rate of 6% to 7% per annum with interest payable annually in arrears. The corporate bonds are unsecured.

SIGNIFICANT INVESTMENT

As at 31 March 2015, the Group held financial assets at fair value through profit and loss amounted to approximately HK\$20,944,000 (as at 31 March 2014: approximately HK\$22,464,000).

CONTINGENT LIABILITIES

During the year ended 31 March 2015, the Group has provided certain counter financial guarantees to an independent third party (2014: two independent third parties), which has provided financial guarantees directly to Chongqing Liangjiang New Area Small Loans Business Limited*, an associate of the Group, in aggregate of approximately RMB21,700,000 (equivalent to approximately HK\$27,372,000) (2014: approximately RMB10,000,000 (equivalent to approximately HK\$12,317,000)).

Details are set out in the announcement of the Company dated 19 November 2013.

CHARGE ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 March 2015 (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 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 2015, the Group had 84 employees in total (as at 31 March 2014: 81 employees). The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$29,870,000 (2014: approximately HK\$31,977,000). 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 2015 under the share option scheme, and no option remained outstanding under the share option scheme as at 31 March 2015.

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 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 report, the said legal action is still in progress.

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.

EVENT AFTER THE REPORTING PERIOD

There are no post balance sheet events after the reporting date.

CORPORATE GOVERNANCE

The Company's commitment to the highest standards of corporate governance is driven by the Board of Directors who, 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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the year ended 31 March 2015

The Company has complied with all code provisions and, where appropriate, met the recommended best practices in the CG Code, save as disclosed below.

Mr. LAM Ka Wai Graham (“**Mr. Lam**”), who was an independent non-executive Director of the Company, 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 of the Company (the “**Remuneration Committee**”) and a member of each of the audit committee (the “**Audit Committee**”) and nomination committee (the “**Nomination Committee**”) of the Company with effect from 11 April 2014.

Following the resignation of Mr. Lam, the Company had not comply with Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules during the period from 11 April 2014 to 8 July 2014 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 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 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 has been appointed as chairman of the Remuneration Committee. 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. 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.

During the year, 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.

During the year, there have been a number of changes in the Board Committees as set out below:

- Mr. LAM Ka Wai ceased to be the chairman of the Remuneration Committee and a member of the Audit Committee with effect from 11 April 2014 following his resignation as an independent non-executive Director.
- Mr. TAM B Ray Billy was appointed as the chairman of the Remuneration Committee with effect from 20 June 2014.
- 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.
- 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' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transaction. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2015.

REVIEW OF FINANCIAL INFORMATION

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 2015.

SCOPE OF WORK OF SHINEWING (HK) CPA 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 2015 as set out in the Preliminary Announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited 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 SHINEWING (HK) CPA Limited 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 and the Company at www.290.com.hk in due course.

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

Hong Kong, 26 June 2015

As at the date of this announcement, 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.

* *For identification purposes only*