China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 290)

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board (the "**Board**") of directors (the "**Directors**") of China Fortune Financial Group Limited (the "**Company**") announces the condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2015 (the "**Period**") together with the comparative figures for the corresponding period in 2014. The Group's interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**29,141**	22,088
Cost of securities brokerage and margin financing		**(9,592)**	(1,840)
Other revenue	*5*	**5,129**	3,314
Depreciation		**(933)**	(1,205)
Salaries and allowances		**(18,130)**	(20,362)
Change in fair value of derivative component of convertible loan notes		**(901)**	(973)
Reversal of impairment loss in respect of trade receivables		**15,451**	2,396
Impairment loss recognised in respect of trade receivables		**(4,177)**	(14,323)
Other operating and administrative expenses		**(20,765)**	(19,273)
Share of profits of associates		**3,437**	3,623
Share of profits of joint ventures		**17**	1,386
Finance costs	*6*	**(10,484)**	(7,555)
Loss before tax	*7*	**(11,807)**	(32,724)
Income tax expense	*8*	**–**	(431)
Loss for the Period		**(11,807)**	(33,155)

	Notes	Six months ended 30 September **2015** *HK$'000* **(Unaudited)**	2014 *HK$'000* (Unaudited)
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive (expense) income of associates		**(2,192)**	1,341
Share of other comprehensive expense of joint ventures		**(141)**	(756)
Exchange differences arising on translation of foreign operations		**(105)**	314
Other comprehensive (expense) income for the Period		**(2,438)**	899
Total comprehensive expense for the Period		**(14,245)**	(32,256)
Loss for the Period attributable to:			
Owners of the Company		**(11,551)**	(32,917)
Non-controlling interests		**(256)**	(238)
		(11,807)	(33,155)
Total comprehensive expense for the Period attributable to:			
Owners of the Company		**(14,013)**	(32,025)
Non-controlling interests		**(232)**	(231)
		(14,245)	(32,256)
		HK cent	*HK cent*
Loss per share	*10*		
Basic and diluted		**(0.34)**	(0.96)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	Notes	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
Non-current assets			
Plant and equipment		**2,872**	3,026
Club membership debentures		**6,610**	6,610
Other non-current assets		**275**	230
Goodwill		**3,994**	3,994
Interests in associates		**90,171**	88,476
Interests in joint ventures		**1,231**	1,355
		105,153	103,691
Current assets			
Investments held for trading		**18,740**	20,944
Trade receivables	*11*	**83,210**	136,613
Loan receivables	*12*	**45,102**	17,064
Factoring receivables	*13*	**3,300**	3,409
Other receivables, deposits and prepayments		**7,410**	7,611
Derivative component of convertible loan notes		**518**	1,419
Amount due from a non-controlling shareholder of a subsidiary		**125**	125
Bank balances and cash — trust		**242,844**	107,632
Bank balances and cash — general		**80,529**	79,435
		481,778	374,252
Current liabilities			
Trade payables, other payables and accruals	*14*	**249,315**	143,470
Convertible loan notes		**74,193**	70,641
Corporate bonds	*16*	**11,343**	10,772
Tax payable		**720**	720
		335,571	225,603
Net current assets		**146,207**	148,649
Total assets less current liabilities		**251,360**	252,340

	Notes	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
Capital and reserves			
Share capital	*15*	**341,839**	341,839
Reserves		**(201,224)**	(187,211)
Equity attributable to owners of the Company		**140,615**	154,628
Non-controlling interests		**(1,013)**	(781)
Total equity		**139,602**	153,847
Non-current liability			
Corporate bonds	*16*	**111,758**	98,493
		251,360	252,340

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The Group has not applied any new or revised HKFRSs that are not yet effective for the current interim period. The application of the amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

In addition, the Company has early adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the year ended 31 March 2015. The main impact to the condensed consolidated financial statements is on the presentation and disclosure of certain information in the condensed 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 Period is as follows:

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Income from securities brokerage business	**5,607**	6,812
Margin interest income from securities brokerage business	**4,896**	9,203
Net gain (loss) on trading of listed securities	**5,894**	(2,833)
Dividend income	**83**	178
Service income from corporate finance	**2,348**	4,814
Interest income from money lending business	**2,350**	3,505
Income from factoring business	**97**	–
Others	**7,866**	409
	29,141	22,088

4. SEGMENT INFORMATION

Information reported to the Board, being the designated decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided. No operating segment identified by the designated decision maker has 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) Others.

Other operations include consultancy services and insurance brokerage services.

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:

For the six months ended 30 September 2015

	Brokerage and margin financing HK$'000	Proprietary trading HK$'000	Corporate finance HK$'000	Money lending and factoring HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Turnover							
External turnover	**10,503**	**5,977**	**2,348**	**2,447**	**7,866**	**–**	**29,141**
Inter-segment turnover *(Note)*	**–**	**–**	**50**	**–**	**1,705**	**(1,755)**	**–**
	10,503	**5,977**	**2,398**	**2,447**	**9,571**	**(1,755)**	**29,141**
Segment profit (loss)	**15,576**	**5,398**	**(2,435)**	**802**	**(3,796)**	**–**	**15,545**
Unallocated operating income							**2,509**
Unallocated operating expense							**(21,930)**
Change in fair value of derivative component of convertible loan notes							**(901)**
Share of profits of associates							**3,437**
Share of profits of joint ventures							**17**
Finance costs							**(10,484)**
Loss before tax							**(11,807)**

For the six months ended 30 September 2014

	Brokerage and margin financing HK$'000	Proprietary trading HK$'000	Corporate finance HK$'000	Money lending HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Turnover							
External turnover	16,015	(2,655)	4,814	3,505	409	–	22,088
Inter-segment turnover *(Note)*	–	–	200	–	1,664	(1,864)	–
	16,015	(2,655)	5,014	3,505	2,073	(1,864)	22,088
Segment profit (loss)	(4,615)	(2,931)	722	4,282	(2,339)	–	(4,881)
Unallocated operating income							72
Unallocated operating expense							(24,396)
Change in fair value of derivative component of convertible loan notes							(973)
Share of profits of associates							3,623
Share of profits of joint ventures							1,386
Finance costs							(7,555)
Loss before tax							(32,724)

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 administrative expenses, directors' emoluments, change in fair value of derivative component of convertible loan notes, share of 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:

	At 30 September 2015 *HK$'000* **(Unaudited)**	At 31 March 2015 *HK$'000* (Audited)
Segment assets		
Brokerage and margin financing	**325,021**	242,360
Proprietary trading	**18,740**	20,944
Corporate finance	**5,538**	6,964
Money lending and factoring	**48,464**	20,473
Others	**2,559**	926
Total segment assets	**400,322**	291,667
Unallocated	**186,609**	186,276
Consolidated assets	**586,931**	477,943
Segment liabilities		
Brokerage and margin financing	**246,019**	139,863
Corporate finance	**320**	122
Money lending and factoring	**1,389**	785
Others	**1,469**	432
Total segment liabilities	**249,197**	141,202
Unallocated	**198,132**	182,894
Consolidated liabilities	**447,329**	324,096

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, certain other receivables, deposits and prepayments, amount due from a non-controlling shareholder of a subsidiary, derivative component of convertible loan notes and 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.

5. OTHER REVENUE

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Handling fee income	**1,400**	2,775
Interest income from financial institutions	**60**	98
Management fee income	**744**	–
Gain on disposal of plant and equipment	**160**	–
Dividend income	**1,340**	–
Sundry income	**1,425**	441
	5,129	3,314

6. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**1,007**	22
Effective interest expenses on corporate bonds (note 16)	**5,925**	3,085
Effective interest expenses on convertible loan notes	**3,552**	4,448
	10,484	7,555

7. LOSS BEFORE TAX

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging:		
Total staff costs:		
— directors' emoluments	**3,202**	5,010
— salaries and allowance	**14,402**	14,900
— retirement benefit scheme contributions (excluding directors)	**526**	452
	18,130	20,362
Loss on disposal of plant and equipment	**–**	1
Operating lease in respect of rented premises and equipment	**8,627**	8,480

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— Under-provision in respect of prior period	**–**	431

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2015 and 2014.

Under the Law of the People's Republic of China (the "**PRC**") or ("**China**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to the PRC EIT Law during the six months ended 30 September 2015 and 2014.

9. DIVIDEND

No dividend was paid or proposed during the Period, nor has any dividend been proposed since the end of the Period (six months ended 30 September 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:

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of basic loss per share	**(11,551)**	(32,917)

	At 30 September 2015	At 30 September 2014
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,418,386**	3,418,386

Diluted loss per share was same as the basic loss per share for the six months ended 30 September 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 six months ended 30 September 2015 and 2014.

11. TRADE RECEIVABLES

	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
Trade receivables from the business of dealing in securities:		
— Cash clients	**5,096**	13,698
— Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**–**	22,922
— Margin clients	**148,554**	181,202
Trade receivables from other businesses	**2,669**	3,174
	156,319	220,996
Less: Impairment loss recognised	**(73,109)**	(84,383)
	83,210	136,613

The settlement terms of trade receivables, except for secured margin clients, arising from the business of dealing in securities are two days after the trade date. The Group allows an average credit period of 30 days (as at 31 March 2015: 30 days) to its trade customers of other businesses.

No aged 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 aged 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 Period/year based on the invoice date which approximated the respective revenue recognition dates is as follows:

	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
Less than 30 days	**5,006**	35,006
31 to 60 days	**348**	1,972
61 to 90 days	**378**	1,528
Over 90 days	**1,937**	670
	7,669	39,176

Trade receivables from cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$389,475,000 (as at 31 March 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. There is no repledge of the collateral from margin clients for the six months ended 30 September 2015 and 2014.

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

	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
Balance at beginning of Period/year	**84,383**	66,884
Uncollectible provision written back	**–**	(971)
Reversal of impairment loss	**(15,451)**	(3,802)
Impairment loss recognised	**4,177**	22,272
Balance at end of the Period/year	**73,109**	84,383

Included in the impairment loss recognised in respect of trade receivables with an aggregated balance of approximately HK$73,109,000 (as at 31 March 2015: HK$84,383,000) was individually impaired trade debtors who were in financial difficulties.

12. LOAN RECEIVABLES

	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
Secured loan receivables	**34,010**	13,204
Unsecured loan receivables	**11,092**	14,848
	45,102	28,052
Impairment loss recognised in respect of loan receivables	**–**	(10,988)
	45,102	17,064

The secured loan receivables are pledged by property units (as at 31 March 2015: secured by the equity shares of a listed company and pledged by a property unit) which bear interest at a fixed interest rate ranging from 10% to 22% (as at 31 March 2015: 12% to 20%) per annum.

The unsecured loan receivables bear an interest rate ranging from 21.6% to 25% (as at 31 March 2015: ranging from 21.6% to 25%) per annum. All unsecured loan receivables are guaranteed by a substantial shareholder and/or an independent third party as at 30 September 2015 and 31 March 2015.

The following table illustrates the aged analysis, based on the loan drawdown date, of the loan receivables outstanding at the end of the Period/year:

	At 30 September 2015 *HK$'000* (Unaudited)	At 31 March 2015 *HK$'000* (Audited)
Less than 30 days	**10,502**	1,276
31 to 60 days	**5,413**	265
61 to 90 days	**16,549**	1,433
Over 90 days	**12,638**	14,090
	45,102	17,064

Included in the Group's loan receivables balance, no balance was past due as at 30 September 2015 and 31 March 2015 for which the Group has not provided for impairment loss.

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

No impairment loss in respect of loan receivables (as at 31 March 2015: HK$10,988,000) was recognised during the Period is based on the 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 (as at 31 March 2015: 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 Period/year, based on the date of the sales invoices is as follows:

	At 30 September 2015 *HK$'000* (Unaudited)	At 31 March 2015 *HK$'000* (Audited)
Less than 30 days	**–**	3,409
31 to 60 days	**836**	–
61 to 90 days	**1,277**	–
Over 90 days	**1,187**	–
	3,300	3,409

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

	At 30 September 2015 *HK$'000* (Unaudited)	At 31 March 2015 *HK$'000* (Audited)
Less than 30 days	**–**	3,409
31 to 60 days	**836**	–
61 to 90 days	**1,277**	–
Over 90 days	**1,187**	–
	3,300	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

	At 30 September 2015 *HK$'000* (Unaudited)	At 31 March 2015 *HK$'000* (Audited)
Trade payables from the business of dealing in securities:		
— Margin and cash clients	**241,521**	140,295
— HKSCC	**4,825**	–
Other payables and accruals	**2,969**	3,175
	249,315	143,470

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

As at 30 September 2015, the Group had other payables and accruals of approximately HK$638,000 (as at 31 March 2015: HK$224,000) which were denominated in United States dollar ("**USD**") other than the functional currencies of the relevant group entities.

15. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each at 1 April 2014 (audited), 31 March 2015 (audited) and 30 September 2015 (unaudited)	5,000,000	500,000
Issued and fully paid:		
At 1 April 2014 (audited), 31 March 2015 (audited) and 30 September 2015 (unaudited)	3,418,386	341,839

16. CORPORATE BONDS

During the year ended 31 March 2015, the Group has issued 2 to 7 years corporate bonds with aggregate face value of HK$67,500,000 to 19 independent third parties net of direct expenses of approximately HK$9,900,000, which are due in February 2017, May 2021, July 2021, August 2021, October 2021, November 2021, December 2021, January 2022, February 2022 and March 2022. These corporate bonds carry interest at fixed rate of 6% to 6.5% 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. The effective interest rate of the corporate bonds is ranging from 9.19% to 11.06%.

During the six months ended 30 September 2015, the Group has issued 3 to 7 years corporate bonds with aggregate face value of HK$12,000,000 to 6 independent third parties net of direct expenses of approximately HK$1,840,000, which are due in April 2018, May 2018, May 2022, June 2022 and July 2022. These corporate bonds carry interest at fixed rate of 6% to 6.5% 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. The effective interest rate of the corporate bonds is ranging from 9.19% to 11.06%.

Carrying amounts repayable:

	At 30 September 2015 ***HK$'000*** **(Unaudited)**	At 31 March 2015 *HK$'000* (Audited)
Within one year	**11,341**	10,772
After one year but within five years	**11,772**	9,434
After five years	**99,986**	89,059
Total	**123,099**	109,265
Less: Amounts shown under current liabilities	**(11,341)**	(10,772)
Amounts shown under non-current liability	**111,758**	98,493

17. COMMITMENTS

(i) Operating lease commitments

The Group as lessee

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

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

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**13,938**	15,005
In the second to fifth years, inclusive	**6,548**	14,422
	20,486	29,427

(ii) Capital commitment

The Group had the following capital commitment at the end of the Period/year:

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
Investment in joint ventures	**5,966**	6,144

18. NON-CASH TRANSACTION

The Group and Ever Step Holdings Limited entered into a subscription agreement to subscribe for a 12% coupon convertible loan notes issued by the Company in the principal amount of HK$40,384,615 during the year ended 31 March 2015. There was no non-cash transaction during the Period.

19. EVENT AFTER THE REPORTING PERIOD

On 30 October 2015, the Group entered into a sale and purchase agreement for the sale of 20% of equity interests in Fortune Freedoness Wealth Management Limited ("**Fortune Freedoness**") to Fu Lai Wealth Financial Group Limited, an independent third party to the Group, at a consideration of HK$200,000.

Upon completion of the disposal, Fortune Freedoness will cease to be an associate of the Group.

The disposal was subsequently completed on 4 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the Period, turnover of the Group amounted to approximately HK$29,141,000, representing an increase of approximately 31.93% from approximately HK$22,088,000 for the six months ended 30 September 2014. The increase in turnover was mainly attributable to net gain recorded in proprietary trading and increase in turnover contributed from the business of insurance brokerage services.

The Group recorded a loss for the Period of approximately HK$11,807,000, as compared with the loss of approximately HK$33,155,000 for the corresponding period in 2014. Net loss attributable to owners of the Company for the Period amounted to approximately HK$11,551,000, representing a decrease of approximately 64.91% comparing with the loss of approximately HK$32,917,000 for the corresponding period in 2014. The drop in net loss attributable to owners of the Company for the Period was principally attributable to (i) significant increase arising from the reversal of impairment loss in respect of trade receivables; (ii) decrease in impairment loss recognised in respect of trade receivables; and (iii) net gain recorded in proprietary trading of securities by the Group.

The basic and diluted loss per share for the Period was approximately HK0.34 cent as compared with the basic and diluted loss per share of approximately HK0.96 cent for the corresponding period in 2014.

BUSINESS REVIEW

Brokerage and margin financing

During the Period, the Group's revenue from brokerage and margin financing business showed a decline to approximately HK$10,503,000, representing a decrease of approximately 34.42% as compared to the revenue of approximately HK$16,015,000 for the corresponding period in 2014.

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

Proprietary trading

During the Period, all securities traded were shares listed on the Stock Exchange. The proprietary trading segment recorded a trading gain of approximately HK$5,977,000 (2014: trading loss of approximately HK$2,655,000) and incurred a segment gain of approximately HK$5,398,000 (2014: segment loss of approximately HK$2,931,000). 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 Period. Segment revenue from our corporate finance business decreased by approximately 52.17% from approximately HK$5,014,000 to approximately HK$2,398,000 while the segment loss for the Period amounted to approximately HK$2,435,000 as compared to a segment profit amounted to approximately HK$722,000 for the corresponding period in 2014.

Money lending and factoring

During the Period, the Group recorded an interest income from money lending and income from factoring of approximately HK$2,447,000 (2014: interest income from money lending of approximately HK$3,505,000), representing a decrease of approximately 30.19% as compared with the corresponding period in 2014.

Other businesses

During the Period, the Group recorded a segment revenue from other business operations in providing other consultancy services and insurance brokerage services of approximately HK$9,571,000 (2014: approximately HK$2,073,000), representing an increase of approximately 3.62 times as compared with the corresponding period in 2014.

PROSPECTS

The growth of the global economy remained rather unstable. As an international financial centre, Hong Kong was inevitably affected by the sluggishness and continual uncertainties in the global economy. Yet, active fund raising activities and the huge inflow of funds came into the Hong Kong stock market after the introduction of the Shanghai-Hong Kong Stock Connect Scheme (the "**SHK Connect**") that rippled to the stock market which saw its turnover skyrocket, the local capital market delivered significant performance at the beginning of 2015 and the bull even run in the second quarter. Leveraging on these positive situational factors, the Group turned losses into gains and recorded net gain of approximately HK$5,894,000 during the Period under review (2014: net loss of approximately HK$2,833,000) from the trading of securities that were listed on the Stock Exchange. The result to us is encouraging.

However, the local stock market followed the steps from sluggish global markets from late June 2015 and investor sentiment was hurt as the negative development in Greece debt crisis as well as the continued slumps in the stock market of mainland China. The market volatility further increased to recent years high when the People's Bank of China surprisingly devalued the Renminbi ("**RMB**") by over 2% in August. On the other hand, Hong Kong's stock market became very sensitive to the potential threat of interest rate hike in the United States as Hong Kong dollar is pegged to the USD. The market is still debating heatedly whether the United States Federal Reserve will increase the interest rate in any of its remaining meetings in 2015. Volatility is likely to remain for the market in the remainder of the year.

Looking ahead, the mainland China has introduced a number of measures to calm the stock market and accelerate economic and financial reforms that may help positioning and even strengthening Hong Kong as a key investment platform for both the Chinese and overseas investors and allow the overseas investors to gain access to the capital market in the mainland China. Besides that, it is expected to attract the inflow of more capital into the Hong Kong market and boost again the transaction volume further, and will bring support to the Hong Kong stock market in the long term through the forthcoming launch of Shenzhen-Hong Kong Stock Connect Scheme (the "**SZHK Connect**"). The Group will pursue any growth opportunities from the trend to improve its results in order to strengthen the financial position of the Group and enhance the shareholders' value.

CAPITAL STRUCTURE

As at 30 September 2015, 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 "**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 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 Period, 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 Period and the year ended 31 March 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 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 Period and the year ended 31 March 2015.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

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

As at 30 September 2015, the Group's current assets and current liabilities were approximately HK$481,778,000 (as at 31 March 2015: approximately HK$374,252,000) and approximately HK$335,571,000 (as at 31 March 2015: approximately HK$225,603,000) respectively, while the current ratio was about 1.44 times (as at 31 March 2015: about 1.66 times).

As at 30 September 2015, the Group's aggregate cash and cash equivalents amounted to approximately HK$80,529,000 (as at 31 March 2015: approximately HK$79,435,000), of which approximately 93.18% was denominated in Hong Kong dollars (as at 31 March 2015: approximately 98.31%), approximately 5.06% was denominated in USD (as at 31 March 2015: approximately 1.04%), approximately 1.46% was denominated in British Pound ("**GBP**") (as at 31 March 2015: nil) and approximately 0.3% was denominated in RMB (as at 31 March 2015: approximately 0.65%), representing approximately 16.71% (as at 31 March 2015: approximately 21.23%) of total current assets. As at 30 September 2015, the Group had no bank and other borrowings (as at 31 March 2015: nil).

During the Period, no financial instruments were used for hedging purposes. As at 30 September 2015, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 139.94% (as at 31 March 2015: approximately 115.43%). The increase was mainly due to issuance of corporate bonds during the Period.

As at 30 September 2015, the debt ratio, defined as total debts over total assets, was approximately 76.21% (as at 31 March 2015: approximately 67.81%).

During the Period and for the year ended 31 March 2015, the Group has issued 3 to 7 and 2 to 7 years corporate bonds with aggregate face value of HK$12,000,000 and HK$67,500,000 to 6 and 19 independent third parties respectively, net of direct expenses of approximately HK$1,840,000 and HK$9,900,000 respectively, their maturity dates are from February 2017 to July 2022 and carry interest at fixed rate of 6% to 6.5% 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.

SIGNIFICANT INVESTMENT

As at 30 September 2015, the Group held financial asset at fair value through profit or loss of approximately HK$18,740,000 (as at 31 March 2015: approximately HK$20,944,000).

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal during the Period.

CONTINGENT LIABILITIES

As at 30 September 2015, the Group had 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 ASSET

No asset of the Group was subject to any charge as at 30 September 2015 (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 Period, the Group mainly use Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

HUMAN RESOURCES

As at 30 September 2015, the Group had 86 employees in total (as at 31 March 2015: 84 employees). The related employees' costs for the Period (excluding directors' emoluments) amounted to approximately HK$14,928,000 (as at 31 March 2015: approximately HK$29,870,000). 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.

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 announcement, the said legal action is still in progress.

EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the Period are set out in note 19 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

CHANGE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in Directors' information of the Company since the date of the annual report of the Company for the year ended 31 March 2015 is set out below:

Directors' Updated Biographical Details

Mr. CHAN Kin Sang, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Runway Global Holdings Company Limited, a company listed on the Main Board of the Stock Exchange with effect from 5 October 2015.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 March 2015 up to the date of this announcement.

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

INTERIM DIVIDEND

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

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL INFORMATION

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.290.com.hk. The interim report for the Period will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 19 November 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.