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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 2017

The board (the "**Board**") of directors (the "**Directors**") of China Fortune Financial Group Limited (the "**Company**") announces that the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2017 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 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	3	**49,880**	49,207
Cost of brokerage and other services		**(11,164)**	(15,424)
Other income	5	**85,019**	5,591
Gain/(loss) on derivative component of convertible bonds		**31,564**	(1,419)
(Impairment)/reversal of impairment loss on loan and trade receivables		**(2,749)**	21,165
Staff cost		**(51,601)**	(40,430)
Other operating expenses		**(50,516)**	(45,364)
Finance costs	6	**(25,977)**	(21,416)
Share of profit of associates		**6,434**	5,577
Share of profit/(loss) of joint ventures		**17**	(169)

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Profit/(loss) before tax	7	**30,907**	(42,682)
Income tax expense	8	**–**	–
Profit/(loss) for the year		**30,907**	(42,682)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(454)**	(116)
Share of other comprehensive expense of associates		**(5,395)**	(3,458)
Share of other comprehensive expense of joint ventures		**(67)**	(51)
Exchange differences reclassified to profit or loss upon disposal of a joint venture		**(194)**	–
		(6,110)	(3,625)
Total comprehensive income/(expense) for the year		**24,797**	(46,307)
Profit/(loss) for the year attributable to:			
Owners of the Company		**30,907**	(42,301)
Non-controlling interests		**–**	(381)
		30,907	(42,682)
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**24,797**	(45,963)
Non-controlling interests		**–**	(344)
		24,797	(46,307)
		Hong Kong cents	*Hong Kong cents*
Profit/(loss) per share	10		
Basic		**0.85**	(1.24)
Diluted		**0.84**	(1.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property and equipment		**3,669**	2,637
Goodwill		**3,994**	3,994
Loan receivables	11	**7,494**	5,502
Other non-current assets		**6,840**	6,885
Interests in associates		**83,148**	88,887
Interests in joint ventures		**1,086**	1,135
		106,231	109,040
Current assets			
Investments held for trading		**109,298**	19,723
Loan and trade receivables	11	**171,839**	140,872
Other receivables, deposits and prepayments		**14,380**	6,528
Bank balances and cash-trust		**115,097**	135,215
Bank balances and cash-general		**471,990**	46,757
		882,604	349,095
Current liabilities			
Trade payables, other payables and accruals	12	**125,079**	221,414
Loan payable		**130,404**	–
Corporate bonds		**3,944**	10,772
Tax payable		**720**	720
		260,147	232,906
Net current assets		**622,457**	116,189
Total assets less current liabilities		**728,688**	225,229

	Note	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Convertible bonds		**290,696**	–
Corporate bonds		**160,326**	117,689
		451,022	117,689
Net assets		**277,666**	107,540
Capital and reserves			
Share capital	13	**40,367**	341,839
Reserves		**237,299**	(233,174)
Equity attributable to owners of the Company		**277,666**	108,665
Non-controlling interests		**–**	(1,125)
Total equity		**277,666**	107,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and 35/F, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong respectively.

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

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

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied for the first time certain new and amended HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**") and Interpretations ("**Int(s)**"), issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2016.

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

- Amendments to HKFRS 2 – *Classification and Measurement of Share-based Payment Transactions* [2]
- Amendments to HKFRS 4 – *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract* [2]
- HKFRS 9 – *Financial Instruments* [2]
- Amendments to HKFRS 10 and HKAS 28 (2011) – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
- HKFRS 15 – *Revenue from Contracts with Customers* [2]
- Amendments to HKFRS 15 – *Clarifications to HKFRS 15 Revenue from Contracts with Customers* [2]
- HKFRS 16 – *Leases* [3]
- Amendments to HKAS 7 – *Disclosure Initiative* [3]
- Amendments to HKAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses* [1]
- HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards* [2]
- HKFRS 12 – *Disclosure of Interests in Other Entities*[1]
- HKAS 28 – *Investments in Associates and Joint Ventures*[2]
- HKAS 40 – *Investment Property*[2]
- Hong Kong (International Financial Reporting Interpretations Committee) ("**HK(IFRIC)**") – Int 22 – *Foreign Currency Transactions and Advance Consideration*[2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Effective for annual periods beginning on or after a date to be determined

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

HKFRS 9 Financial instruments

HKFRS 9 *Financial Instruments* introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

The management has started assessing the impact of HKFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;

- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's loan and trade receivables and other receivables financial assets, unless classified as at fair value through profit or loss in accordance with the new criteria;

- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income;

- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

3. REVENUE

Revenue represents the net amounts received and receivable for services provided in the normal course of business. An analysis of the Group's revenue for the years ended 31 March 2017 and 2016 is as follows:

	2017	2016
	HK$'000	*HK$'000*
Dividend income	**157**	105
Income from securities brokerage business	**9,193**	15,975
Income from factoring business	**3**	187
Interest income from money lending business	**7,715**	5,485
Income from insurance brokerage business	**3,784**	11,024
Margin interest income from securities brokerage business	**13,371**	10,106
Net gains on trading of listed securities	**4,056**	2,905
Service income from corporate finance	**11,601**	3,394
Others	**–**	26
	49,880	49,207

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating 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 chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1) The brokerage and margin financing segment engages in securities business and margin financing in Hong Kong;

2) The proprietary trading segment engages in proprietary trading of securities;

3) The corporate finance segment engages in the provision of corporate finance services in Hong Kong;

4) The money lending and factoring segment engages in the provision of money lending and factoring services in Hong Kong; and

5) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong.

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' remunerations, and certain other operating income (interest income and gains on investments held for trading). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market prices.

Information regarding the above segments is reported below.

Segment revenue and results

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

	Brokerage and margin financing		**Proprietary trading**		**Corporate finance**		**Money lending and factoring**		**Consultancy and insurance brokerage**		**Inter-segment elimination**		**Consolidated**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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*
Revenue														
External revenue	**22,564**	26,081	**4,213**	3,010	**11,601**	3,394	**7,718**	5,672	**3,784**	11,050	**–**	–	**49,880**	49,207
Inter-segment revenue	**–**	–	**–**	–	**1,670**	50	**–**	–	**4,122**	4,065	**(5,792)**	(4,115)	**–**	–
	22,564	26,081	**4,213**	3,010	**13,271**	3,444	**7,718**	5,672	**7,906**	15,115	**(5,792)**	(4,115)	**49,880**	49,207
Interest income	**48**	58	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**49**	58
Gains on investment held for trading	**6,454**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6,454**	–
Finance costs	**(48)**	(1,047)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(48)**	(1,047)
Others	**9,815**	23,792	**3,840**	2,664	**(11,053)**	(13,956)	**(2,932)**	13,289	**(1,789)**	(7,958)	**–**	–	**(2,119)**	17,831
Segment profit/(loss)	**16,269**	22,803	**3,841**	2,664	**(11,053)**	(13,956)	**(2,932)**	13,289	**(1,789)**	(7,958)	**–**	–	**4,336**	16,842
Unallocated operating income													**607**	1,232
Unallocated operating expense													**(59,642)**	(44,576)
Unallocated other income, gains or losses													**73,520**	200
Gain/(loss) on derivative component of convertible bonds													**31,564**	(1,419)
Share of profit of associates													**6,434**	5,577
Share of profit/(loss) of joint ventures													**17**	(169)
Finance costs													**(25,929)**	(20,369)
Profit/(loss) before tax													**30,907**	(42,682)

Segment assets and liabilities

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

	2017	2016
	HK$'000	*HK$'000*
Segment assets		
Brokerage and margin financing	**419,457**	248,053
Proprietary trading	**26,489**	24,282
Corporate finance	**9,985**	9,926
Money lending and factoring	**35,699**	53,622
Consultancy and insurance brokerage	**1,715**	2,334
Total segment assets	**493,345**	338,217
Unallocated	**495,490**	119,918
Consolidated assets	**988,835**	458,135
Segment liabilities		
Brokerage and margin financing	**121,038**	139,386
Proprietary trading	**136**	149
Corporate finance	**1,575**	1,635
Money lending and factoring	**53**	1,136
Consultancy and insurance brokerage	**590**	925
Total segment liabilities	**123,392**	143,231
Unallocated	**587,777**	207,364
Consolidated liabilities	**711,169**	350,595

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

- all assets are allocated to operating segments other than certain property and equipment for general operations, other non-current assets, interests in associates and joint ventures, certain other receivables, deposits and prepayments 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 bonds, corporate bonds, loan and tax payable.

Other segment information

	Brokerage and margin financing		Proprietary trading		Corporate finance		Money lending and factoring		Consultancy and insurance brokerage		Unallocated		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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 results or segment assets:														
Additions to non-current assets (exclude financial instruments)	**18**	724	**-**	–	**-**	–	**-**	–	**-**	–	**2,447**	804	**2,465**	1,528
Bad debt written off	**5,371**	–	**-**	–	**-**	–	**-**	–	**-**	–	**221**	–	**5,592**	–
Depreciation	**190**	282	**-**	–	**-**	1	**-**	–	**-**	–	**1,243**	1,494	**1,433**	1,777
Reversal of impairment loss recognised in respect of trade receivables	**(7,417)**	(17,532)	**-**	–	**-**	(150)	**-**	–	**-**	–	**-**	–	**(7,417)**	(17,682)
Reversal of impairment loss recognised in respect of loan receivable	**-**	–	**-**	–	**-**	–	**-**	(10,000)	**-**	–	**-**	–	**-**	(10,000)
Impairment loss recognised in respect of trade receivables	**1,565**	5,116	**-**	–	**-**	1,388	**-**	–	**-**	–	**-**	–	**1,565**	6,504
Impairment loss recognised in respect of loan receivables	**-**	–	**-**	–	**-**	–	**8,601**	–	**-**	–	**-**	–	**8,601**	–
Impairment loss recognised in respect of factoring receivable	**-**	–	**-**	–	**-**	–	**-**	13	**-**	–	**-**	–	**-**	13
Gain on disposal of property and equipment	**(125)**	(160)	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(40)	**(125)**	(200)

The amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets are not material for both years ended 31 March 2017 and 2016.

Information about major customers

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

Geographical information

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**78,108**	79,565
The People's Republic of China (the "**PRC**")	**20,629**	23,973
	98,737	103,538

5. OTHER INCOME

	Notes	2017 HK$'000	2016 HK$'000
Handling fee income		**3,357**	2,416
Interest income from financial institutions		**51**	111
Gain on disposal of subsidiaries	14(a)	**395**	–
Management fee income		**190**	1,440
Gain on disposal of property and equipment		**125**	200
Exchange gain, net		**109**	–
Sundry income		**1,144**	1,424
Gain on disposal of a joint venture	14(c)	**73,000**	–
Unrealised gain on investments held for trading		**6,454**	–
Translation reserve reclassified to profit or loss upon disposal of a joint venture		**194**	–
		85,019	5,591

6. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on bank and other borrowings	**4,891**	1,179
Interests on corporate bonds	**15,882**	12,047
Interests on convertible bonds	**5,204**	8,190
	25,977	21,416

7. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax after charging:

	Note	**2017** *HK$'000*	2016 *HK$'000*
Auditor's remuneration		**960**	680
Bad debt written off		**5,592**	-
Depreciation		**1,433**	1,777
Exchange losses, net		**-**	17
Operating lease payments		**13,179**	16,710
Loss on disposal of an associate	14(b)	**1,361**	168
Staff costs:			
– Directors' remunerations		**8,363**	6,195
– salaries and allowance		**42,236**	33,268
– retirement benefit scheme contributions (excluding Directors)		**1,002**	967
		51,601	40,430

8. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided as the Group's assessable profit for the year ended 31 March 2017 has been fully absorbed by the tax losses brought forward from prior years (2016: nil).

The tax charge for the years can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 *HK$'000*	2016 *HK$'000*
Profit/(loss) before tax	**30,907**	(42,682)
Tax at domestic income tax rate of 16.5% (2016: 16.5%)	**5,100**	(7,043)
Tax effect of expenses not deductible for tax purpose	**15,467**	936
Tax effect of incomes not taxable for tax purpose	**(31,357)**	(41)
Tax effect of share of profit of associates	**(1,062)**	(920)
Tax effect of share of (profit)/loss of joint ventures	**(3)**	28
Utilisation of tax losses not recognised in previous years	**(2,928)**	(3,130)
Tax effect of tax losses not recognised	**14,783**	10,170
Tax for the year	**–**	–

At 31 March 2017, the Group had estimated unused tax losses of approximately HK$342,670,000 (2016: HK$277,318,000) available for offset against future profits, the tax losses are subject to the agreement by the Hong Kong Inland Revenue Department (the "**IRD**"). No deferred tax assets recognised, arose from tax losses of approximately HK$12 million which amount is estimated by the Group on the same basis in the objection lodged to the IRD. The objection was in response to IRD's re-assessments raised against the Group's year of assessment prior to 31 March 2016. The Group had purchased tax reserve certificates with an aggregate amount of approximately HK$7,883,000 in August 2016 as directed by the Commissioner of the IRD.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during both years.

Tax losses of approximately HK$6,125,000 (2016: HK$12,624,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. During the year, tax loss approximately HK$6,499,000 have been expired. The remaining tax losses of approximately HK$336,545,000 (2016: HK$264,694,000) do not expire under current tax legislation.

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 2017 and 2016, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the Post-2008 Earnings. The Group did not have any material Post-2008 earnings as at 31 March 2017 and 2016.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting year (2016: nil).

10. PROFIT/(LOSS) PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of basic profit/(loss) per share	**30,907**	(42,301)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	**3,641,933**	3,418,386
Effect of dilutive potential ordinary shares:		
Convertible bond	**35,616**	–
	3,677,549	3,418,386

11. LOAN AND TRADE RECEIVABLES

Loan and trade receivables comprise i) trade receivables arising from security brokerage business and other businesses and ii) loan and factoring receivables arising from money lending business.

	Notes	2017 HK$'000	2016 HK$'000
Trade receivables	a)	**144,907**	100,019
Loan receivables – current	b)	**26,932**	38,643
Factoring receivables	c)	**–**	2,210
		171,839	140,872
Loan receivables – non current	b)	**7,494**	5,502
		179,333	146,374

a) Trade receivables

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

	2017 HK$'000	2016 HK$'000
Trade receivables from security brokerage business		
– Cash clients	**705**	5,278
– Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**-**	3,416
– Margin clients	**144,983**	162,176
Trade receivables from other businesses	**2,761**	2,354
	148,449	173,224
Less: Impairment loss	**(3,542)**	(73,205)
	144,907	100,019

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

No aging analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, and only fall due on conditions or on demand by the Group. The Directors of the Company consider that an aging analysis does not give additional value in the view of the nature of business of margin financing.

The following is an aging analysis of trade receivables (excluding margin clients), net of impairment losses, as at 31 March 2017 and 2016 based on the invoice date which approximated the respective revenue recognition dates was as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 30 days	**1,413**	7,347
31 to 60 days	**49**	201
61 to 90 days	**31**	442
Over 90 days	**584**	1,104
	2,077	9,094

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of approximately HK$1,228,702,000 (2016: HK$1,455,925,000) which could be realised at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The trade receivables from cash and margin clients are repayable on demand and bear interest at commercial rates. As at 31 March 2017, included in the total trade receivables, approximately HK$136,922,000 (2016: HK$71,717,000) were interest bearing whereas approximately HK$7,985,000 (2016: HK$28,302,000) were non-interest bearing. There is no re-pledge 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 trade receivables are debtors with aggregate carrying amount of approximately HK$837,000 (2016: HK$5,377,000) which were past due as at 31 March 2017 for which the Group has not provided for impairment loss.

In respect of trade receivables (excluded margin clients) which are past due but not impaired as at 31 March 2017 and 2016, the aging analysis (subsequent to the settlement date) are as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 30 days	**214**	3,634
31 to 60 days	**31**	281
61 to 90 days	**11**	358
Over 90 days	**581**	1,104
	837	5,377

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 quoted market value of approximately HK$10,069,000 over these balances (2016: HK$826,698,000).

Movements in the impairment loss of trade receivables in aggregate during the years ended 31 March 2017 and 2016 are as follows:

	2017	2016
	HK$'000	*HK$'000*
Balance at the beginning of the year	**73,205**	84,383
Disposal of trade receivables	**(63,811)**	-
Reversal of impairment loss	**(7,417)**	(17,682)
Impairment loss recognised	**1,565**	6,504
Balance at the end of the year	**3,542**	73,205

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$3,542,000 (2016: HK$73,205,000) were individually impaired trade receivables who were in financial difficulties. In the current year, trade receivables of HK$63,811,000 (2016: nil) were sold with subsidiary at consideration of HK$2,000,000. Detailed please refer to note 14(a).

b) **Loan receivables**

	2017	2016
	HK$'000	*HK$'000*
Non-current portion		
Secured loan receivables	**7,494**	2,265
Unsecured loan receivables	**5,216**	3,237
	12,710	5,502
Less: Impairment loss	**(5,216)**	–
	7,494	5,502
Current portion		
Secured loan receivables	**9,690**	32,275
Unsecured loan receivables	**20,627**	6,368
	30,317	38,643
Less: Impairment loss	**(3,385)**	–
	26,932	38,643
	34,426	44,145

The secured loan receivables are secured by equity shares of listed companies with fair value of approximately HK$1,866,000 and second mortgage over certain property units (2016: second mortgage over a property unit) and bear interest at a fixed interest rate at 14% to 22.5% (2016: 10% to 22%) per annum.

The unsecured loan receivables carry interest at fixed interest rate at 15% to 22% (2016: 25%) per annum. The unsecured loan receivables are guaranteed by an independent third party as at 31 March 2017 (2016: guaranteed by an independent third party).

The following table illustrated the aging analysis, net of impairment, based on the loan drawdown date, of the loan receivables outstanding at reporting date:

	2017	2016
	HK$'000	*HK$'000*
Less than 30 days	**457**	4,516
31 to 60 days	**628**	218
61 to 90 days	**–**	194
Over 90 days	**33,341**	39,217
	34,426	44,145

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

The aging analysis of loan receivables that are past due but not considered to be impaired as at 31 March 2017 and 2016 is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 30 days	**45**	323
31 to 60 days	**–**	600
61 to 90 days	**–**	600
Over 90 days	**–**	1,800
	45	3,323

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

	2017	2016
	HK$'000	*HK$'000*
Balance at the beginning of the year	**–**	10,988
Reversal of impairment loss	**–**	(10,000)
Written off as uncollectable	**–**	(988)
Impairment loss recognised	**8,601**	–
Balance at the end of the year	**8,601**	–

Impairment loss of approximately HK$8,601,000 recognised during the year ended 31 March 2017 is based on estimated irrecoverable amount by reference to the creditability of the customers past default experience and subsequent settlement. (2016: Impairment loss of loan receivable of HK$10,000,000 has been reversed during the year ended 31 March 2016 upon disposal of such loan receivable).

c) Factoring receivables

	2017	2016
	HK$'000	*HK$'000*
Factoring receivables	**–**	2,210

The factoring receivables arose from money lending to customers with their receivables pledged to the Group. No impairment loss recognised (2016: HK$13,000) during the year ended 31 March 2017. At the end of the current year, there was no outstanding factoring receivable.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Trade payables from the business of dealing in securities:		
– margin and cash clients	**114,037**	138,631
– HKSCC	**5,183**	–
Other payables and accruals	**5,859**	82,783
	125,079	221,414

For trade payables, no aging analysis is disclosed for the Group's margin and cash clients and HKSCC as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of margin financing. Also, the settlement terms of HKSCC is two trading days after the transaction dates.

13. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Authorised:		
At 1 April 2015 and 31 March 2016, ordinary shares of HK$0.1 each	5,000,000	500,000
Capital reduction	-	(450,000)
Increase in authorised share capital	15,000,000	150,000
At 31 March 2017, ordinary shares of HK$0.01 each	20,000,000	200,000
Issued and fully paid:		
At 1 April 2015 and 31 March 2016, ordinary shares of HK$0.1 each	3,418,386	341,839
Issue of shares for convertible bonds exercised	618,343	61,834
Capital reduction	-	(363,306)
At 31 March 2017, ordinary shares of HK$0.01 each	4,036,729	40,367

14. DISPOSALS OF COMPONENTS OF THE GROUP

a) Disposal of subsidiaries

On 30 December 2016, the Group disposed its 100% equity interest in Main Dynasty International Limited, a subsidiary of the Company, together with 48% interest in Beijing Sapiential & Golden Resources Public Relations Consultant Co., Ltd. which held under the subsidiary (constituted an associate of the Company), at a consideration of approximately HK$2,852,000.

On 30 December 2016, the Group disposed its 100% equity interest in Legend Shores Limited, a subsidiary of the Company, at a consideration of HK$2,000,000.

The details of these disposals were summarised as below:

	2017
	HK$'000
Proceeds	**4,852**
Less: Net assets value	**(4,457)**
Gain on disposals	**395**

b) Disposal of an associate

On 29 June 2016, the Group disposed its 25% equity interest in Prior Capital Limited, an associate of the Company, together with a subsidiary of Prior Capital Limited, at a consideration of approximately HK$1,218,000.

The detail of the disposal was summarised as below:

	2017
	HK$'000
Proceeds	**1,218**
Less: Net assets value	**(2,579)**
Loss on disposal	**(1,361)**

c) **Disposal of a joint venture**

In the prior year, the Group held a 35% equity interest in Measure Up International Limited ("**Measure Up**") and its subsidiaries ("**Measure Up Group**") and accounted for the investment as a joint venture.

The Group disposed 35% equity interest in Measure Up Group, a joint venture of the Company, together with the loan owed by Measure Up to the Group of HK$73,000,000 for a consideration of HK$73,000,000 on 30 June 2016.

The detail of the disposal was summarised as below:

	2017
	HK$'000
Proceeds	**73,000**
Less: Interest in a joint venture	**–**
Amount due from a joint venture	**–**
Gain on disposal	**73,000**

There was no other material disposal of components of the Group during the year.

15. 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of convertible bonds, corporate bonds, loan and cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure regularly. As part of this review, the Directors of the Company consider the cost of capital and the associated risks with each class of capital, and take appropriate actions to adjust the Group's capital structure.

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

Another subsidiary of the Group is a member of the Professional Insurance Brokers Association Limited and is required to maintain a minimum net asset value of HK$100,000 at all times.

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

16. COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments

The Group as lessee

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

As at 31 March 2017 and 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**2,268**	13,797
In the second to fifth year, inclusive	**643**	523
	2,911	14,320

b) Capital commitment

The Group had the following capital commitment at reporting date:

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for:		
Investment in a joint venture	**5,428**	5,853
Investment in a subsidiary	**11,405**	–

c) Pending litigation

In April 2014, a writ of summons was issued by an independent third party in liquidation (the "**Plaintiff**") against Fortune (HK) Securities Limited ("**F(HK)SL**"), 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 external legal adviser of the Company to the case, F(HK)SL has withheld the shares in client's account, 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 Directors of the Company believe that the said legal action does not have any material adverse impact on the Group's operation and financial position. There has not been any further action taken by the Plaintiff since June 2014.

17. EVENTS AFTER THE REPORTING DATE

(i) On 16 November 2016, the Group had entered into a loan agreement with the lender, an independent third party for an unsecured term loan facility up to HK$130,000,000 with the interest rate of 8% per annum. The Group had fully repaid on 11 May 2017.

(ii) On 28 April 2017, certain holders of convertible bond series 2017 C exercised portion of their holdings, in an aggregate principal amount of HK$182,961,000 representing 46.91% of the original principal amount, at an exercise price of HK$0.06. 3,049,350,000 ordinary shares of the Company were issued for the conversion.

(iii) On 27 March 2017, incidental to the subscription of convertible bonds of the Company by Mankind Investment Limited ("**Mankind**"), China Cinda (HK) Assets Management Co., Limited ("**Cinda HK**", the parent company of Mankind) provided the Company with a two-year term loan facility which confers the Company to an unconditional and irrevocable cash loan of HK$800 million at an interest rate of 6% per annum available for drawdown within a specified period not less than 24 months conditioning on several fulfilments. The loan has not been utilised at the end of reporting year nor up to the date of these consolidated financial statements. Both Mankind and Cinda HK are substantial shareholders of the Company.

(iv) On 23 January 2017, the Company entered into a share subscription agreement with independent third parties in relation to the establishment of a joint venture at total investment amount of RMB1,000 million (equivalent to approximately HK$1,112 million) and the Company shall contribute an aggregate amount of RMB300 million (equivalent to approximately HK$334 million) and hold 30% shareholding in the joint venture. The establishment of the joint venture is subject to approval by the China Securities Regulatory Commission. Up to the date of these consolidated financial statements, there was no such approval obtained.

18. COMPARATIVE FIGURES

Certain comparative figures in these consolidated financial statements were reclassified to conform to the current year's presentation.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2017, revenue of the Group amounted to approximately HK$49,880,000, representing an increase of approximately 1.37% from approximately HK$49,207,000 for the year ended 31 March 2016.

The Group recorded a profit of approximately HK$30,907,000 for the year ended 31 March 2017, as compared with the loss of approximately HK$42,682,000 for the corresponding period in 2016. Net profit attributable to owners of the Company amounted to approximately HK$30,907,000 for the reporting year, representing an increase of approximately 173.06% comparing with the loss of approximately HK$42,301,000 for the corresponding period in 2016. The overall performance from net loss to net profit attributable to owners of the Company was mainly due to (1) the disposal of shares and benefits related to shareholders loan of Measure Up International Limited; and (2) realised gain in fair value of derivative component of convertible bonds.

The basic and diluted profit per share of the Company for the reporting year were approximately HK0.85 cents and HK0.84 cents respectively as compared with the basic and diluted loss per share of approximately HK1.24 cents for the corresponding period in 2016.

BUSINESS REVIEW

Brokerage and margin financing

The business of brokerage and margin financing is one of the main revenue streams of the Group. During the reporting year, the business of brokerage and margin financing recorded a revenue of approximately HK$22,564,000, representing a decrease of approximately 13.48% as compared to the revenue of approximately HK$26,081,000 for the corresponding period in 2016.

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 provide a one-stop integrated financial services business to satisfy every customer needs.

Proprietary trading

During the reporting year, all securities traded were shares listed on the Stock Exchange. The proprietary trading segment recorded a trading gain of approximately HK$4,213,000 (2016: approximately HK$3,010,000) and recorded a segment gain of approximately HK$3,841,000 (2016: approximately HK$2,664,000). The respective segment gain was due to a realised gain in trade on securities by the Group.

Corporate finance

The corporate finance market was under a keen competition during the reporting year. Segment revenue from corporate finance business significantly increased by approximately 285.34% from approximately HK$3,444,000 to approximately HK$13,271,000 while the segment loss for the year ended 31 March 2017 amounted to approximately HK$11,053,000 (2016: approximately HK$13,956,000), representing a decrease in loss of approximately 20.80% as compared with the corresponding period in 2016.

Money lending and factoring

During the reporting year, the money lending market was under intensive competition locally. The Group recorded an interest income from money lending and income from factoring of approximately HK$7,718,000 (2016: approximately HK$5,672,000), representing an increase of approximately 36.07% as compared with the corresponding period in 2016.

Consultancy and insurance brokerage

During the reporting year, the Group recorded a segment revenue from other business operations in providing other consultancy services and insurance brokerage services of approximately HK$7,906,000 (2016: approximately HK$15,115,000), representing a decrease of approximately 47.69% as compared with the corresponding period in 2016. The segment loss for the year ended 31 March 2017 amounted to approximately HK$1,789,000 (2016: approximately HK$7,958,000), representing a decrease in loss of approximately 77.52% as compared with the corresponding period in 2016.

Disposal of a joint venture

On 31 March 2016, Promiseasy Limited ("**Promiseasy**"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of 35% of the entire issued share capital of Measure Up International Limited ("**Measure Up**") and the loan owed by Measure Up to Promiseasy for a consideration of HK$73,000,000. The disposal was subsequently completed on 30 June 2016.

ISSUE OF CONVERTIBLE BONDS

(a) On 18 March 2016, the Company (as the issuer) entered into a convertible bonds subscription agreement (the "**Subscription Agreement**") with Ever Step Holdings Limited (the "**Ever Step**"), pursuant to which, Ever Step agreed to subscribe for the convertible bonds in the principal amount of HK$40,384,615 (the "**Convertible Bonds**").

Completion of the subscription under the Subscription Agreement took place on 6 April 2016. The Convertible Bonds to Ever Step bear an interest rate of 12% per annum and mature in twelve calendar months from the date of issue of the Convertible Bonds to Ever Step at the conversion price of HK$0.13 per conversion share.

Ever Step has assigned its rights and entitlements under the Convertible Bonds to Flying Bridge Investment Limited ("**Flying Bridge**") on 10 June 2016 with the consent of the Company.

The Convertible Bonds to Flying Bridge was subsequently exercised in full in the principal amount of HK$40,384,615 at the conversion price of HK$0.13 on 28 November 2016. After completion of conversion, the number of 310,650,884 shares was being issued.

For details of the Subscription Agreement and the relevant transactions, please refer to the announcements of the Company dated 18 March, 6 April and 29 November 2016.

(b) On 27 June 2016, the Company (as the issuer) entered into a convertible bonds subscription agreement (the "**One Express Subscription Agreement**") with One Express Group Limited (the "**One Express**"), pursuant to which, One Express agreed to subscribe for the convertible bonds in the principal amount of HK$32,000,000 (the "**Convertible Bonds to One Express**").

Completion of the subscription under the One Express Subscription Agreement took place on 6 July 2016. The Convertible Bonds to One Express bear an interest rate of 5% per annum and mature in twenty-four calendar months after the issue date of the Convertible Bonds to One Express at the conversion price of HK$0.104 per conversion share.

The Convertible Bonds to One Express was subsequently exercised in full in the principal amount of HK$32,000,000 at the conversion price of HK$0.104 on 9 November 2016. After completion of conversion, the number of 307,692,307 shares was being issued.

For details of the One Express Subscription Agreement and the relevant transactions, please refer to the announcements of the Company dated 27 June, 6 July and 11 November 2016.

(c) On 22 November 2016, the Company (as the issuer) entered into three convertible bonds subscription agreements (the "**Cinda Subscription Agreement**", "**PAL Supplemental Agreement**" and "**Riverhead Subscription Agreement**") with three subscribers in an aggregate principal amount of HK$570,000,000.

(i) The Company entered into a Cinda Subscription Agreement with Mankind Investment Limited (the "**Mankind**"), pursuant to the subscription agreement, Mankind agreed to subscribe for the convertible bonds in the principal amount of HK$110,754,000 (the "**Convertible Bonds to Mankind**").

(ii) On 21 September 2016 the Company entered into a PAL subscription agreement with Pacific Alliance Limited (the "**PAL**"), and subsequently the Company entered into PAL Supplemental Agreement on 22 November 2016. Pursuant to the supplemental agreement, PAL agreed to subscribe for the convertible bonds in the principal amount of HK$153,585,000 (the "**Convertible Bonds to PAL**").

(iii) The Company entered into a Riverhead Subscription Agreement with Riverhead Capital (International) Management Co., Limited (the "**Riverhead**"), pursuant to the Riverhead Subscription Agreement, Riverhead agreed to subscribe for the convertible bonds for the aggregate principal amount of HK$305,661,000 (the "**Convertible Bonds to Riverhead**") in 4 tranches.

Completion of all three subscriptions took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead are all bear an interest rate of 2% and mature on the third (3rd) anniversary of the date of issue of the convertible bonds with both dates inclusive at the conversion price of HK$0.06 per conversion share. Upon full conversion of the convertible bonds to all subscribers at the conversion price of HK$0.06, a total number of 6,500,000,000 conversion shares will be issued, subject to adjustments to the conversion price of HK$0.06.

The Convertible Bonds to Mankind was subsequently exercised in approximately 51.74% of original principal amount, which was equivalent to the amount of HK$57,300,000 at the conversion price of HK$0.06 on 28 April 2017. After completion of conversion, the number of 955,000,000 shares was being issued. Furthermore, the Tranche 1 of the Convertible Bonds to Riverhead was also exercised in full in the principal amount of HK$125,661,000 at the conversion price of HK$0.06 on 28 April 2017. After the completion of conversion, the number of 2,094,350,000 shares was being issued.

For details of the Cinda Subscription Agreement, PAL Subscription Agreement and Riverhead Subscription Agreement and the relevant transactions, please refer to the announcements of the Company dated 21 September 2016, 22 November 2016, 30 March 2017 and 28 April 2017.

OUTLOOK

In 2017, the world faces changes. Political and military changes are challenging the world's economic stability. China is in the middle of the supply-side reform, and its economy is experiencing a shift into "a new normal state". Hong Kong, as a crucial part of the Chinese economy, is going to celebrate the 20th anniversary of the return of its sovereignty. China's "going global" strategy and the Belt and Road initiative exposes the financial markets in both mainland and Hong Kong to both opportunities and challenges. China Fortune will be highly alert of the changing economic situation, determinant while flexible in working towards our strategic goals, and proactive in grasping market opportunities and improving core competitiveness and profitability. Moreover, we will take full advantage of Hong Kong's strategic significance as Asia's key financial hub, and China's special administrative region under the "one country, two systems" principle. We, China Fortune, wish a good fortune for Hong Kong, for China.

CAPITAL STRUCTURE

On 21 September 2016, the Board proposed to reorganise the share capital of the Company by capital reduction (the "**Capital Reduction**") and increase in authorised share capital (the "**Increase in Authorised Share Capital**").

In Capital Reduction, the Board proposes that the issued share capital of the Company be reduced from HK$341,838,566.80 to HK$34,183,856.68 by: (i) the cancellation of HK$0.09 paid up capital on each issued share so that each issued share shall be treated as one fully paid up share of HK$0.01 each in the capital of the Company; and (ii) the reduction of the par value of each unissued share from HK$0.10 to HK$0.01, such that the authorised share capital of the Company shall be reduced from HK$500,000,000 comprising 5,000,000,000 shares of par value of HK$0.10 each to HK$50,000,000 comprising 5,000,000,000 new shares of par value of HK$0.01 each.

In Increase in Authorised Share Capital, the current authorised share capital of the Company is HK$500,000,000 divided into 5,000,000,000 shares of HK$0.10 each, of which 3,418,385,668 shares are in issue and are fully paid or credited as fully paid. In order to facilitate the issue of the conversion shares upon the exercise of the conversion rights attached to the convertible bonds and to accommodate future expansion and growth of the Group and subject to the Capital Reduction becoming effective, the Board proposes to increase the authorised share capital of the Company from HK$50,000,000 divided into 5,000,000,000 new shares to HK$200,000,000 divided into 20,000,000,000 new shares of HK$0.01 each, by the creation of an additional 15,000,000,000 new shares, which will rank pari passu in all respects with the new shares in issue.

The proposal of the capital reorganisation was fulfilled and it became effective on 15 March 2017.

As at 31 March 2017, after the completion of the Convertible Bonds to Flying Bridge, One Express Subscription Agreement, Cinda Subscription Agreement and Riverhead Subscription Agreement in accordingly, the nominal value of the total issued share capital of the Company was HK$40,367,288.59 comprising 4,036,728,859 shares of HK$0.01 each.

For details of the capital reorganisation and the relevant transactions, please refer to the announcements of the Company dated 21 September, 13 December 2016 and 5 January, 16 March 2017.

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

The Directors review the capital structure regularly. As part of the review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remains unchanged during the years ended 31 March 2017 and 2016.

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

One of the subsidiaries of the Group is a member of the Professional Insurance Brokers Association Limited and is required to maintain a minimum net asset value of HK$100,000 at all times.

There is no non-compliance of the capital requirements of the Group members imposed by the respective regulators during the years ended 31 March 2017 and 2016.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

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

As at 31 March 2017, the Group's current assets and current liabilities were approximately HK$882,604,000 (2016: approximately HK$349,095,000) and approximately HK$260,147,000 (2016: approximately HK$232,906,000) respectively, while the current ratio was about 3.39 times (2016:1.50 times).

As at 31 March 2017, the Group's aggregate cash and cash equivalents amounted to approximately HK$471,990,000 (2016: approximately HK$46,757,000), of which approximately 98.09% was denominated in Hong King dollars ("**HKD**") (2016: approximately 89.22%), approximately 1.47% was denominated in United States dollars ("**USD**") (2016: approximately 9.77%), and approximately 0.44% was denominated in Renminbi ("**RMB**") (2016: approximately 1.01%), representing approximately 53.48% (2016: approximately 13.39%) of total current assets. As at 31 March 2017, the Group had a loan with accrued interest in approximately HK$130,404,000 (2016: nil).

During the reporting year, no financial instruments were used for hedging purposes. As at 31 March 2017, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 210.82% (2016: approximately 118.22%). The increase in ratio was mainly due to issuance of corporate bonds and convertible bonds during the reporting year. The debt ratio, defined as total debts over total assets, was approximately 71.92% (2016: approximately 76.53%).

During the years ended 31 March 2017 and 2016, the Group has issued 2 year to 7.5 years and 1 years to 7 years corporate bonds with aggregate face value of HK$47,000,000 and HK$19,000,000 to 16 and 10 independent third parties respectively, net of direct expenses of approximately HK$6,769,000 and HK$3,772,000 respectively, their maturity dates are from January 2018 to April 2024 and carry interest at fixed rate of 6% to 7% per annum with interest payable on the date falling on each anniversary of the issue date and maturity date of the corporate bonds (both dates exclusive). The corporate bonds are unsecured.

SIGNIFICANT INVESTMENT

As at 31 March 2017, the Group held financial assets at fair value through profit or loss of approximately HK$109,298,000 (2016: approximately HK$19,723,000).

CONTINGENT LIABILITIES

As at 31 March 2017, the Group has no material contingent liabilities (2016: nil).

CHARGE ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 March 2017 (2016: nil).

RISK MANAGEMENT

The Group has properly put in place credit management policies which cover the examination of the approval of client's trading and credit limits, regular review of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

FOREIGN CURRENCY FLUCTUATION

During the reporting year, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

HUMAN RESOURCES

As at 31 March 2017, the Group had 72 employees in total (2016: 75 employees). The related employees' costs for the reporting year (excluding Directors' remunerations) amounted to approximately HK$43,238,000 (2016: approximately HK$34,235,000). 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 F(HK)SL, a wholly-owned 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 external legal adviser to the case, F(HK)SL has withheld the shares in client's account, 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. There has not been any further action taken by the Plaintiff since June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the reporting year.

EVENTS AFTER THE REPORTING DATE

Details of the events after the reporting date are set out in note 17 to this results announcement.

CORPORATE GOVERNANCE

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

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

The Company has adopted the Code Provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the reporting year, the Company has complied with all code provisions and, where appropriate, met the recommended best practices in the CG Code, except for the following deviations:

(a) Code Provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company does not have the position of "chief executive". In the past, the duty of this role was assumed by the managing director of the Company (the "**Managing Director**"). Subsequent to the resignation of Mr. NG Cheuk Fan Keith as the Managing Director on 8 July 2016, such duties have been taken up by the Chairman of the Company. The Board is aware of the said deviation but considers that the current leadership structure facilitates the execution of the business strategies, decision-making and maximizes the effectiveness of the Group's operations. The Board also considers that such arrangement would not impair the balance of power and authority as general management decisions will be made collectively by the Company's executive Directors whereas significant decisions would be decided by the Board which meets regularly and on ad hoc basis to review the operation of the Group. Notwithstanding this, the Board will review its leadership structure from time to time and further amendment may be made should it considers appropriate or necessary to do so.

(b) Code Provision A.5.1 of the CG Code states that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Following the resignation of Mr. TAM B Ray Billy as an independent non-executive Director and, inter alia, the chairman of the Nomination Committee on 21 December 2016, the Nomination Committee failed to have a chairman until 20 March 2017 on which Mr. XIE Zhichun, the Chairman of the Board, was appointed as the chairman of the Nomination Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transaction. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the reporting year.

RECORD DATE FOR ANNUAL GENERAL MEETING

In order to determine the eligibility of the Shareholders to attend and vote at the annual general meeting (the "**AGM**") of the Company which is scheduled to be held on 30 August 2017, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:30 p.m. on 23 August 2017. Shareholders whose names are recorded in the register of members of the Company on 24 August 2017 are entitled to attend and vote at the AGM.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang and Mr. CHIU Kung Chik.

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 2017.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2017. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

PUBLICATION OF THE ANNUAL REPORT

The 2017 annual report of the Company will be dispatched to the Shareholders and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.290.com.hk in late July 2017.

By Order of the Board
China Fortune Financial Group Limited
XIE Zhichun
Chairman and Executive Director

Hong Kong, 29 June 2017

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. LIU Yinan, Mr. HON Chun Yu and Ms. FU Wan Sheung; two non-executive Directors, namely Mr. TANG Baoqi and Mr. WU Ling; and three independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok and Mr. CHIU Kung Chik.