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 2019

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 2019 (the "**Period**") together with the comparative figures for the corresponding period in 2018. 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 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**71,824**	41,297
Cost of brokerage and other services		**(4,839)**	(5,967)
Other income	*5*	**4,894**	3,134
Impairment loss on loan and trade receivables		**(1,278)**	(1,448)
Change in fair value of equity investments		**(7,024)**	(9,763)
Staff costs		**(36,554)**	(48,035)
Other operating expenses		**(26,192)**	(27,005)
Finance costs	*6*	**(30,057)**	(27,197)
Share of profits of associates		**4,074**	5,202
Share of (losses)/profits of joint ventures		**(25)**	448
Loss before tax	*7*	**(25,177)**	(69,334)
Income tax expense	*8*	**(1,744)**	(423)
Loss for the Period		**(26,921)**	(69,757)

	Notes	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,211)**	(1,392)
Share of other comprehensive expense of associates		**(4,603)**	(9,051)
Share of other comprehensive expense of joint ventures		**(57)**	(568)
		(11,871)	(11,011)
Total comprehensive expense for the Period		**(38,792)**	(80,768)
		HK cents	HK cents
Loss per share	*10*		
– Basic		**(0.29)**	(0.98)
– Diluted		**(0.29)**	(0.98)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Non-current assets			
Property and equipment	*11*	**15,908**	17,898
Right-of-use assets	*11*	**24,314**	–
Goodwill		**3,994**	3,994
Loan receivables	*14b)*	**3,484**	3,791
Other non-current assets		**17,969**	7,104
Interests in associates	*12*	**101,903**	102,432
Interests in joint ventures	*13*	**1,005**	1,087
		168,577	136,306
Current assets			
Equity Investments		**145,625**	121,288
Loan and trade receivables	*14*	**424,480**	356,146
Other receivables, deposits and prepayments		**10,652**	91,547
Tax recoverable		**3,149**	4,890
Bank balances and cash – trust	*15*	**185,322**	531,568
Bank balances and cash – general	*15*	**315,367**	243,755
		1,084,595	1,349,194
Current liabilities			
Trade payables, other payables and accruals	*16*	**231,605**	550,469
Lease liabilities		**19,271**	–
Loan payables	*17*	**191,950**	100,259
Convertible bonds	*20*	**266,160**	195,244
Corporate bonds	*19*	**–**	10,340
Tax payable		**730**	727
		709,716	857,039
Net current assets		**374,879**	492,155
Total assets less current liabilities		**543,456**	628,461

	Notes	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Non-current liabilities			
Lease liabilities		**5,947**	–
Convertible bonds	*20*	**18,261**	72,823
Corporate bonds	*19*	**150,314**	147,912
		174,522	220,735
Net assets		**368,934**	407,726
Capital and reserves			
Share capital	*18*	**91,531**	91,531
Reserves		**277,403**	316,195
Total equity		**368,934**	407,726

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for the financial instruments classified as at fair value through profit or loss ("**FVTPL**") and fair value through other comprehensive income ("**FVOCI**"), which are stated at fair values.

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

The Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the HKICPA that are effective for the Group's financial year beginning on 1 April 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Other than HKFRS 16 "Leases" ("**HKFRS 16**"), the application of the above new and amended HKFRSs has had no material effect impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16

The Group elected to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.375%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	At 1 April 2019 *HK$'000* **(Unaudited)**
Operating lease commitments disclosed as at 31 March 2019	34,466
Less: Short-term leases recognised on a straight-line basis as expense	(376)
Less: Others	(210)
	33,880
Less: Total future interest expenses	(803)
Lease liabilities recognised as at 1 April 2019	33,077
Current lease liabilities	19,443
Non-current lease liabilities	13,634
Total lease liabilities	33,077

The associated right-of-use assets for property leases measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	At 30 September 2019 *HK$'000* **(Unaudited)**	At 1 April 2019 *HK$'000* (Unaudited)
Properties	**24,067**	32,681
Car parks	**247**	396
Total right-of-use assets	**24,314**	33,077

The change in accounting policy affected the following items in the condensed consolidated statement of financial position at 1 April 2019:

	Carrying amount at 31 March 2019 *HK$'000* (Audited)	**Capitalisation of operating lease contracts** *HK$'000* (Unaudited)	**Carrying amount at 1 April 2019** *HK$'000* (Unaudited)
Non-current assets			
Right-of-use assets	–	33,077	33,077
Current liabilities			
Lease liabilities	–	19,443	19,443
Non-current liabilities			
Lease liabilities	–	13,634	13,634

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 Period is as follows:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income	**1,151**	–
Income from securities brokerage business	**16,810**	6,767
Income from money lending business	**19,813**	4,703
Income from insurance brokerage business	**1,700**	1,183
Income from asset management business	**7,687**	–
Margin interest income from securities brokerage business	**6,323**	9,130
Service income from corporate finance	**18,340**	18,476
Others	**–**	1,038
	71,824	41,297

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focus is on the type of services provided. No operating segment identified by the chief operating 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 business and margin financing in Hong Kong and proprietary trading of securities;

(2) The corporate finance segment engages in the provision of corporate finance services;

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

(4) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong; and

(5) The asset management segment engages in the provision of asset management and advisory services to professional investors and the management of financial investments.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the results from each segment without allocation of central administrative expenses, directors' remunerations and other operating income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Inter-segment revenue 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:

For the six months ended 30 September 2019 (Unaudited)

	Brokerage and margin financing *HK$'000*	**Corporate finance** *HK$'000*	**Money lending and factoring** *HK$'000*	**Consultancy and insurance brokerage** *HK$'000*	**Asset management** *HK$'000*	**Unallocated** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Consolidated** *HK$'000*
Revenue								
External revenue	**23,317**	**18,340**	**19,813**	**1,700**	**8,654**	**–**	**–**	**71,824**
Inter-segment revenue	**(507)**	**–**	**–**	**–**	**512**	**–**	**(5)**	**–**
Total	**22,810**	**18,340**	**19,813**	**1,700**	**9,166**	**–**	**(5)**	**71,824**
Change in fair value of equity investment	**(1,740)**	**–**	**–**	**–**	**(5,284)**	**–**	**–**	**(7,024)**
Finance costs	**(21)**	**–**	**–**	**–**	**(1,578)**	**(28,458)**	**–**	**(30,057)**
Others	**(8,377)**	**(15,613)**	**(968)**	**(1,863)**	**(8,371)**	**(28,777)**	**–**	**(63,969)**
Segment results	**12,672**	**2,727**	**18,845**	**(163)**	**(6,067)**	**(57,235)**	**(5)**	**(29,226)**
Share of profits of associates								**4,074**
Share of losses of joint ventures								**(25)**
Loss before tax								**(25,177)**
Income tax expense								**(1,744)**
Loss for the period								**(26,921)**

For the six months ended 30 September 2018 (Unaudited)

	Brokerage and margin financing *HK$'000*	Corporate finance *HK$'000*	Money lending and factoring *HK$'000*	Consultancy and insurance brokerage *HK$'000*	Asset management *HK$'000*	Unallocated *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue								
External revenue	15,897	18,476	4,703	1,183	–	1,038	–	41,297
Inter-segment revenue	–	–	–	–	40	–	(40)	–
Total	15,897	18,476	4,703	1,183	40	1,038	(40)	41,297
Change in fair value of equity investment	(8,380)	–	–	–	–	(1,383)	–	(9,763)
Finance costs	(25)	–	–	–	–	(27,172)	–	(27,197)
Others	(7,936)	(23,313)	(2,142)	(1,600)	(6,789)	(37,541)	–	(79,321)
Segment results	(444)	(4,837)	2,561	(417)	(6,749)	(65,058)	(40)	(74,984)
Share of profits of associates								5,202
Share of profits of joint ventures								448
Loss before tax								(69,334)
Income tax expense								(423)
Loss for the period								(69,757)

Segment assets and liabilities

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

	At 30 September 2019 *HK$'000* (Unaudited)	At 31 March 2019 *HK$'000* (Audited)
Segment assets		
Brokerage and margin financing	**395,631**	725,192
Corporate finance	**26,979**	30,522
Money lending and factoring	**311,907**	257,001
Consultancy and insurance brokerage	**1,329**	6,957
Asset management	**250,341**	207,985
Total segment assets	**986,187**	1,227,657
Unallocated	**266,985**	257,843
Consolidated assets	**1,253,172**	1,485,500
Segment liabilities		
Brokerage and margin financing	**227,342**	532,531
Corporate finance	**13,437**	13,119
Money lending and factoring	**302,912**	3,886
Consultancy and insurance brokerage	**643**	910
Asset management	**235,073**	209
Total segment liabilities	**779,407**	550,655
Unallocated	**104,831**	527,119
Consolidated liabilities	**884,238**	1,077,774

5. OTHER INCOME

	Six months ended 30 September 2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Unaudited)
Interest income from financial institutions	**1,664**	1,568
Gain on disposal of property and equipment	**–**	335
Exchange gain, net	**–**	362
Sundry income	**3,230**	869
	4,894	3,134

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interests on bank and loan payables	**6,250**	4,629
Interests on corporate bonds	**7,064**	7,601
Interests on convertible bonds *(note 20)*	**16,354**	14,967
Interests on lease liabilities	**389**	–
	30,057	27,197

7. LOSS BEFORE TAX

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before tax after charging:		
Staff costs:		
– Directors' remunerations	**7,819**	8,865
– salaries and allowance	**27,837**	38,252
– retirement benefit scheme contributions (excluding Directors)	**898**	918
	36,554	48,035
Auditor's remunerations	**–**	190
Depreciation on right-of-use assets	**9,448**	–
Impairment loss on loan and trade receivables	**1,278**	1,448
Operating lease payments	**14**	9,652

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 September 2019 (six months ended 30 September 2018: 16.5%).

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision for Hong Kong profits tax		
– Current tax	**1,744**	423

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' assessable profits for the Period have been fully absorbed by the tax loss brought forward from prior years. 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 the six months ended 30 September 2018.

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 2018: nil).

10. LOSS PER SHARE

Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK$26,921,000 (six months ended 30 September 2018: approximately HK$69,757,000) by the weighted average number of 9,153,078,859 ordinary shares (six months ended 30 September 2018: 7,086,078,859 shares) in issue during the Period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bonds were assumed to have been converted into ordinary shares, and the net loss has been adjusted to eliminate the interest expense less the tax effect.

The calculation of diluted loss per share for the six months ended 30 September 2019 and 2018 does not assume the exercise of the Company's outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share. Therefore, the diluted loss per share is the same as the basic loss per share.

11. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

For property and equipment, the Group spent approximately HK$26,000 (six months ended 30 September 2018: approximately HK$3,508,000) for the purchase of property and equipment during the Period.

Two motor vehicles with a total net carrying value of approximately HK$225,000 were disposed of by the Group for cash proceeds of approximately HK$560,000, resulting in a net gain on disposal of approximately HK$335,000 which was recognised in profit or loss during six months ended 30 September 2018.

For right-of-use assets, the Group entered into new lease agreement for its branch office. The Group is required to make fixed monthly payments. During the Period, the Group recognised additional right-of-use assets and lease liabilities of approximately HK$685,000 respectively.

12. INTERESTS IN ASSOCIATES

	At 30 September 2019 ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Cost of investments in unlisted associates	**64,131**	64,131
Share of post-acquisition profits and other comprehensive expense	**37,772**	38,301
	101,903	102,432

Set out below are the particulars of the principal associates as at 30 September 2019 and 31 March 2019 in the opinion of the Directors of the Company, to give details of other associates would result in particulars of excessive length:

Name of entity	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of nominal value of issued capital held by the Group		Proportion of voting right held by the Group at board level		Principal activities
				30 September 2019	31 March 2019	**30 September 2019**	31 March 2019	
Starlight Financial Holdings Limited ("**Starlight**")	Limited liability company	Hong Kong	234,000,000 ordinary shares	**25%**	25%	**33%** *(note 1)*	33% *(note 1)*	Investment holding
City Eagle Holdings Limited	Limited liability company	Hong Kong	100 ordinary shares	**25%**	25%	**33%**	33%	Investment holding
Chongqing Liangjiang New Area Runtong Small Loans Business Limited* ("**Runtong**")	Limited liability company	The PRC	Registered capital of US$30,000,000	**25%**	25%	**33%**	33%	Provision of secured financing services and microfinance services
Chongqing Run Kun Management Consulting Company Limited* ("**Run Kun**")	Limited liability company	The PRC	Registered capital of HK$10,000,000	**25%**	25%	**33%**	33%	Financial consulting services
China Runking Financing Group Limited	Limited liability company	Hong Kong	1 ordinary share	**25%**	25%	**33%**	33%	Provision of loan financing services

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

China Runking Financing Group Limited, City Eagle Holdings Limited, Run Kun and Runtong are wholly-owned subsidiaries of Starlight.

Notes:

1. The Group is able to exercise significant influence over Starlight and its subsidiaries ("**Starlight Group**") because it has the power to appoint two out of the six directors of that company under the provisions stated in the shareholders' agreement.

As at 30 September 2019, included in the cost of investments in associates was goodwill of approximately HK$4,052,000 (as at 31 March 2019: approximately HK$4,052,000) arising on the acquisition of associates.

13. INTERESTS IN JOINT VENTURES

	At 30 September 2019 *HK$'000* **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Cost of investments in unlisted joint ventures	**1,415**	1,415
Share of post-acquisition losses and other comprehensive expense	**(410)**	(328)
	1,005	1,087

Details of the joint ventures as at 30 September 2019 and 31 March 2019 are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of nominal value of issued capital held by the Group		Proportion of voting right held by the Group at board level		Principal activities
				30 September 2019	31 March 2019	**30 September 2019**	31 March 2019	
Shenzhen Qianhai Fortune Financial Service Company Limited* ("**Qianhai Fortune Financial**")	Limited liability company	the PRC	Registered capital of RMB754,000	**30%**	30%	**40%**	40%	Provision of corporate financial consultancy service
Shenzhen Qianhai Fortune Equity Investment Management Company Limited* ("**Qianhai Fortune Equity**")	Limited liability company	the PRC	Registered capital of RMB2,989,000	**30%**	30%	**40%**	40%	Inactive

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

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

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

14. LOAN AND TRADE RECEIVABLES

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

	Notes	**At 30 September 2019** ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Trade receivables	*a)*	**129,576**	122,527
Loan receivables – current	*b)*	**294,904**	233,619
		424,480	356,146
Loan receivables – non-current	*b)*	**3,484**	3,791
		427,964	359,937

a) Trade receivables

The followings are the balances of trade receivables, net of expected credit losses ("**ECL**"):

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables from security brokerage business		
– cash clients	**41**	686
– Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**32,354**	1,073
– margin clients	**94,123**	118,498
Trade receivables from other businesses	**8,522**	6,456
	135,040	126,713
Less: Impairment loss	**(5,464)**	(4,186)
	129,576	122,527

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 2019: 30 days) to its trade customers of other businesses. Also, the settlement terms of HKSCC is 2 trading days after the transaction date.

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 the aging analysis does not give additional value in the view of the nature of business of margin financing.

The following is an aging analysis of trade receivables (excluded margin clients), net of ECL, 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 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Less than 30 days	**36,500**	6,856
31 to 60 days	**156**	87
61 to 90 days	**771**	102
Over 90 days	**3,490**	1,170
	40,917	8,215

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of approximately HK$279,644,000 (as at 31 March 2019: HK$455,482,000) which could be realised 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 2019 and 2018.

b) Loan receivables

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Non-current portion		
Secured loan receivables	**2,158**	2,169
Unsecured loan receivables	**1,326**	1,622
	3,484	3,791
Current portion		
Secured loan receivables	**189,533**	180,427
Unsecured loan receivables	**105,371**	53,192
	294,904	233,619
	298,388	237,410

The secured loan receivables are secured by equity shares of listed companies and second mortgage over certain property units and bear interest at a fixed interest rate at 10% to 20% (as at 31 March 2019: 9% to 18%) per annum.

The unsecured loan receivables carry interest at fixed interest rate at 12% to 15% (as at 31 March 2019: 12% to 15%) per annum. The unsecured loan receivables are guaranteed by an independent third party as at 30 September 2019 and 31 March 2019.

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

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Less than 30 days	**2,110**	51,873
31 to 60 days	**10,550**	156,552
61 to 90 days	**103**	103
Over 90 days	**285,625**	28,882
	298,388	237,410

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 2019: nil) has been recognised during the Period, which is based on the estimated irrecoverable amount by reference to the creditability of the customer, past default experience and subsequent settlement.

15. BANK BALANCES AND CASH

Bank balances and cash – trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities and futures brokerage and financing business. The Group has classified the clients' monies as bank balances and cash – trust under the current assets of the condensed consolidated statement of financial position and recognised the corresponding trade payables to respective clients on the ground that it is liable for any loss or misappropriation of clients' monies. The Group is restricted to use the clients' monies to settle its own obligations.

Bank balances and cash – general

Bank balances and cash held by the Group which amounted to approximately HK$229,457,000 (as at 31 March 2019: HK$230,521,000) were with an original maturity of three months or less. The bank balances and bank deposits carried interest at market rates ranging from 0% to 2.87% (as at 31 March 2019: 0% to 3.2%) per annum.

Short-term deposits held by the Group amounting to approximately HK$85,910,000 (as at 31 March 2019: HK$13,234,000) were maturity of more than three months and within one year at acquisition.

As at 30 September 2019, the Group had bank balances of approximately HK$112,414,000 (as at 31 March 2019: HK$61,830,000) and HK$87,065,000 (as at 31 March 2019: HK$13,776,000) which were originally denominated in United States dollar ("**USD**"), and Renminbi ("**RMB**") respectively.

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2019 ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Trade payables from the business of dealing in securities:		
– Margin and cash clients	**226,983**	530,820
Property and equipment payables	**385**	385
Other payables and accruals	**4,237**	19,264
	231,605	550,469

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

17. LOAN PAYABLES

As at 30 September 2019, bank loans amounted to approximately HK$191,950,000 (as at 31 March 2019: HK$100,259,000) borne variable interest rate of 3.95% – 4.77% (as at 31 March 2019: 3.59% – 4.81%) per annum. The bank loans were guaranteed by the wholly owned subsidiary, Fortune Finance Limited.

18. SHARE CAPITAL

	Notes	Number of shares *'000*	Amount *HK$'000*
Authorised:			
At 1 April 2018 (audited), 31 March 2019 (audited) and 30 September 2019 (unaudited), ordinary shares of HK$0.01 each		20,000,000	200,000
Issued and fully paid:			
At 1 April 2018 (audited), ordinary shares of HK$0.01 each		7,086,079	70,861
Issue of shares for convertible bonds exercised	*a)*	650,000	6,500
Issue of shares upon subscription	*b)*	1,417,000	14,170
At 31 March 2019 (audited) and 30 September 2019 (unaudited), ordinary shares of HK$0.01 each		9,153,079	91,531

a) Issue of shares for convertible bonds exercised

On 14 January 2019, the holder of convertible bond series 2019 A exercised the option to convert as ordinary shares at HK$0.06 for 650,000,000 shares.

b) Issue of shares upon subscription

On 13 December 2018, the Company entered into subscription agreement with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue a total of 1,417,000,000 subscription shares at the subscription price of HK$0.07 per subscription share.

All the conditions of the subscription agreements have been fulfilled and the completion of the subscriptions took place on 31 December 2018. Subscription shares of 700,000,000 and 717,000,000 were allotted and issued to Ms. Sit Lai Hei and Eastasia Power Holding Limited, respectively by the Company, at the subscription price of HK$0.07 per subscription share.

19. CORPORATE BONDS

	At 30 September 2019 ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Current	**–**	10,340
Non-current	**150,314**	147,912
	150,314	158,252

Particulars of outstanding corporate bonds at reporting date summarised by original issue year are set out below:

Issue in the year ended	Original terms	Annual coupon rate	Effective interest rate	Principal	Carrying amount
				HK$'000	*HK$'000*
At 30 September 2019					
31 March 2014	**7 – 7.5 years**	**6% – 7%**	**8.59% – 9.66%**	**43,000**	**44,181**
31 March 2015	**7 years**	**6% – 6.5%**	**8.59% – 9.12%**	**57,500**	**56,570**
31 March 2016	**5 – 7 years**	**6.5% – 7%**	**9.12% – 9.76%**	**21,810**	**21,596**
31 March 2017	**7 – 7.5 years**	**6.5%**	**9.10% – 9.12%**	**40,100**	**27,967**
					150,314
At 31 March 2019					
31 March 2014	7 – 7.5 years	6% – 7%	8.59% – 9.66%	43,000	42,212
31 March 2015	7 years	6% – 6.5%	8.59% – 9.12%	57,500	55,974
31 March 2016	5 – 7 years	6.5% – 7%	9.12% – 9.76%	21,810	21,256
31 March 2017	3 – 7.5 years	6% – 6.5%	9.10% – 10.34%	40,100	38,810
					158,252

These corporate bonds are repayable in the following schedule:

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**–**	10,340
More than one year but not exceeding two years	**83,441**	42,074
More than two years but not exceeding five years	**66,873**	104,002
More than five years	**–**	1,836
	150,314	158,252

20. CONVERTIBLE BONDS

The Group employs convertible bonds as one of its sources of financing. In the both year/period presented, the Company issued below series of convertible bonds with maturity terms for 3 years, unsecured, coupon rate at 2%.

Convertible bonds are carried at amortised cost, and corresponding equity components, namely convertible bonds reserve, were recognised at issue date. At reporting date, carrying amounts of the convertible bonds and this reserve were:

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Convertible bonds		
– Current	**266,160**	195,244
– Non-current	**18,261**	72,823
	284,421	268,067
Convertible bonds reserve	**71,982**	71,982

Particulars of outstanding convertible bonds at reporting date are set out as below:

	Issue date	Maturity date	Coupon rate	Effective interest rate	Principal	Conversion price per share	Issuer earlier redemption right
					HK$'000	*HK$*	
At 31 March 2019							
2019 A	5 July 2018	4 July 2021	2%	11.74%	60,000	0.060	No
At 31 March 2018							
2018 A	28 June 2017	27 June 2020	2%	11.17%	60,000	0.060	No
At 31 March 2017							
2017 C	30 March 2017	29 March 2020	2%	12.47%	390,000	0.060	No

Movements of carrying amounts of the liability components and equity components are summarised below.

	Convertible Bond Series			
	2017 C	**2018 A**	**2019 A**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability components				
At 1 April 2018 (audited)	173,581	49,900	–	223,481
Issue of convertible bonds	–	–	45,255	45,255
Interests at effective interest rates	21,663	5,686	3,205	30,554
Conversion at exercise	–	–	(31,223)	(31,223)
At 31 March 2019 (audited)	195,244	55,586	17,237	268,067
Interests at effective interest rates	12,175	3,155	1,024	16,354
At 30 September 2019 (unaudited)	207,419	58,741	18,261	284,421

	Convertible Bond Series			
	2017 C	**2018 A**	**2019 A**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity components				
At 1 April 2018 (audited)	52,823	13,998	–	66,821
Issue of convertible bonds	–	–	14,745	14,745
Issue of shares for convertible bonds exercised	–	–	(9,584)	(9,584)
At 31 March 2019 (audited) and 30 September 2019 (unaudited)	52,823	13,998	5,161	71,982

21. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

All executive Directors were considered to be the key management personnel of the Group for the six months ended 30 September 2019 and 2018. The remuneration of executive Directors during the Period was as follows:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**6,580**	7,915
Post-employment benefits	**27**	38
	6,607	7,953

22. COMMITMENTS

(i) Operating lease commitments

The Group as lessee

At the end of the Period, the Group had no lease commitments (as at 31 March 2019: total future minimum lease payments under non-cancellable operating leases) which fall due as follows:

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**–**	18,844
In the second to fifth years, inclusive	**–**	15,622
	–	34,466

(ii) Capital commitment

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

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
Investment in joint ventures	**5,104**	5,515

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial instruments and non-financial assets measured at fair value in the condensed consolidated statement of financial position are categorised into the three level fair value hierarchies as defined in HKFRS 13, "Fair Value Measurement".

The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets and financial liabilities	**Fair value as at 30 September 2019** ***HK$'000*** **(Unaudited)**	31 March 2019 *HK$'000* (Audited)	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Financial assets at FVTPL				
– Equity securities listed in Hong Kong	**120,484**	96,147	Level 1	Quoted bid prices in active market
– Bonds-linked notes (i)	**25,141**	25,141	Level 3	Discounted cash flow
Financial assets at FVOCI				
– Unlisted equity securities (ii)	**11,129**	264	Level 3	Net asset value

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

(i) The notes are linked to the listed bonds. The fair value of bonds-linked notes is estimated using a discounted cash flow technique. It is estimated by the future coupon rate, adjusting for the risk and discounting from 7.882% to 7.963% for the bonds and notes.

(ii) The fair value of the unlisted equity investment is referenced to net asset value of the partnership during the Period.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Bonds-linked notes *HK$'000*	**Unlisted equity securities** *HK$'000*
At 1 April 2019 (Audited)	25,141	264
Acquisition of the financial assets	–	10,865
At 30 September 2019 (Unaudited)	25,141	11,129

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

24. EVENT AFTER THE REPORTING PERIOD

On 9 November 2017, the subscription agreement dated 23 January 2017 entered into by the Group in relation to the establishment of a joint venture was terminated due to a change in the shareholding structure of the joint venture company. On 9 November 2017, the Group therefore entered into a new subscription agreement with independent third parties in relation to the establishment of the joint venture at total investment amount of RMB1,000 million and the Group shall contribute an aggregate amount of RMB300 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. As at the date of the announcement, the approvals had yet to be obtained in this regard.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Period, revenue of the Group amounted to approximately HK$71,824,000, representing an increase of approximately 73.92% from approximately HK$41,297,000 for the six months ended 30 September 2018. The increase in turnover was mainly attributable to increase in turnover contributed from the Group's brokerage and margin financing business, asset management business and money lending business.

The Group recorded a loss of approximately HK$26,921,000 for the Period, as compared with the loss of approximately HK$69,757,000 for the corresponding period in 2018. Net loss attributable to owners of the Company amounted to approximately HK$26,921,000 for the Period, while the Group recorded the loss of approximately HK$69,757,000 for the corresponding period in 2018. The decrease in loss for the Period was principally attributable to (i) higher revenue than that in the same period of last year; and (ii) significant decrease in staff costs.

The basic and diluted loss per share for the Period was approximately HK0.29 cents as compared with the basic and diluted loss per share of approximately HK0.98 cents for the corresponding period in 2018.

Business Review

Brokerage and margin financing

During the Period, the business of brokerage and margin financing recorded a revenue of approximately HK$22,810,000, representing an increase of approximately 43.49% as compared to the revenue of approximately HK$15,897,000 for the corresponding period in 2018. The increase in revenue was mainly contributed from the Group's underwriting business.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our corporate finance business as well as wealth management business, in order to provide an one-stop integrated financial services to better serve our institutional and high networth individual clients.

Corporate finance

The corporate finance market was under a keen competition during the Period. Segment revenue from corporate finance business decreased by approximately 0.74% from approximately HK$18,476,000 to approximately HK$18,340,000 while the segment profit for the Period amounted to approximately HK$2,727,000 as compared to a segment loss amounted to approximately HK$4,837,000 for the corresponding period in 2018. The improvement of segment performance was mainly due to the significant decrease in staff costs.

Money lending and factoring

During the Period, the Group recorded an interest income from money lending of approximately HK$19,813,000 (six months ended 30 September 2018: approximately HK$4,703,000), representing an increase of approximately 321.28% as compared with the corresponding period in 2018. The segment profit for the Period amounted to approximately HK$18,845,000 (six months ended 30 September 2018: approximately HK$2,561,000). Such growth was primarily attributable to the growth in average loan balance which was the result of the Group's effort in expanding lending business.

Consultancy and insurance brokerage

During the Period, the Group recorded a segment revenue from consultancy and insurance brokerage services of approximately HK$1,700,000 (six months ended 30 September 2018: approximately HK$1,183,000), representing an increase of approximately 43.70% as compared with the corresponding period in 2018. The Group's growth in revenue volume resulting from the Group's efforts to promote innovation in its insurance services.

Asset management

During the Period, the Group recorded a segment revenue from asset management of approximately HK$9,166,000 (six months ended 30 September 2018: approximately HK$40,000). The increase in segment revenue was mainly attributable to the expansion of financial assets investment during the Period.

Outlook

We are in an era of drastic turmoil of global politics and economy, and Hong Kong is now in a turbulent center. Looking ahead, the Group will continue to implement its established development strategy on the premise of strictly complying with compliance requirements, controlling risks and costs. Based on the mainland and Hong Kong financial markets, the Group will continue to focus on the development of investment banking business (including sponsor, financial consultancy, debt and equity underwriting businesses), asset management business, stock and bond proprietary trading, and various financing businesses (including securities margin, structured financing, secured-asset financing) with a view to achieving sustainable development to offer greater returns to shareholders.

Capital Structure

As at 30 September 2019, the nominal value of the total issued share capital of the Company was approximately HK$91,531,000 comprising 9,153,078,859 shares of the Company of HK$0.01 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 of 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, bank loans, 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 2019.

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 requirements 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's members imposed by the respective regulators during the Period and the year ended 31 March 2019.

Liquidity and Financial Resources and Gearing Ratio

During the Period, the Group mainly financed its operations by cash generated from operating activities and bank loans.

As at 30 September 2019, the Group's current assets and current liabilities were approximately HK$1,084,595,000 (as at 31 March 2019: approximately HK$1,349,194,000) and approximately HK$709,716,000 (as at 31 March 2019: approximately HK$857,039,000) respectively, while the current ratio was about 1.53 times (as at 31 March 2019: about 1.57 times).

As at 30 September 2019, the Group's aggregate cash and cash equivalents amounted to approximately HK$315,367,000 (as at 31 March 2019: approximately HK$243,755,000), of which approximately 36.75% was denominated in Hong Kong dollars (as at 31 March 2019: approximately 68.98%), approximately 35.65% was denominated in USD (as at 31 March 2019: approximately 25.37%), and approximately 27.60% was denominated in RMB (as at 31 March 2019: approximately 5.65%), representing approximately 29.08% (as at 31 March 2019: approximately 18.07%) of total current assets. As at 30 September 2019, the Group had bank loans with accrued interest in approximately HK$191,950,000 (as at 31 March 2019: approximately HK$100,259,000).

During the Period, no financial instruments were used for hedging purposes. As at 30 September 2019, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 169.86% (as at 31 March 2019: approximately 129.15%). The increase was mainly due to bank loan drawdown. As at 30 September 2019, the debt ratio, defined as total debts over total assets, was approximately 70.56% (as at 31 March 2019: approximately 72.55%).

No corporate bond was issued during the Period and the year ended 31 March 2019.

Issue of Convertible Bonds

On 22 November 2016, the Company (as the issuer) entered into each of the Cinda Subscription Agreement, the PAL Subscription Agreement and the Riverhead Capital Subscription Agreement (each as defined below) in relation to the issue of convertible bonds in an aggregate principal amount of HK$570,000,000.

(i) The Company entered into a subscription agreement (the "**Cinda Subscription Agreement**") with Mankind Investment Limited ("**Mankind**"), pursuant to which, Mankind agreed to subscribe to 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 subscription agreement with Pacific Alliance Limited ("**PAL**"), and subsequently a supplemental agreement on 22 November 2016 (the "**PAL Subscription Agreement**"), pursuant to which, PAL agreed to subscribe to convertible bonds in the principal amount of HK$153,585,000 (the "**Convertible Bonds to PAL**"). On 8 January 2018, PAL sold the Convertible Bonds to PAL to Value Convergence Holdings Limited.

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

Completion of subscriptions (i), (ii) and tranche 1 of subscription (iii) above (altogether, the "**Tranche 1 Convertible Bonds**") took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead Capital 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 Tranche 1 Convertible Bonds by 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 net proceeds raised through the issue of the Tranche 1 Convertible Bonds were approximately HK$385,000,000, in which i) approximately HK$180,000,000 has been used for the injection of capital to a wholly-owned subsidiary of the Company and expanding its margin financing and underwriting business; ii) approximately HK$150,000,000 for expanding its money lending business; iii) approximately HK$12,000,000 for engaging in private equity investments; iv) approximately HK$9,000,000 for strengthening the capital base of its subsidiaries and v) the remaining balance of approximately HK$34,000,000 for the general working capital of the Group.

The Convertible Bonds to Mankind was 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 27 April 2017. After completion of conversion, 955,000,000 shares were issued on 28 April 2017. Furthermore, tranche 1 of the Convertible Bonds to Riverhead Capital was also exercised in full in the principal amount of HK$125,661,000 at the conversion price of HK$0.06 on 27 April 2017. After the completion of conversion, 2,094,350,000 shares were issued on 28 April 2017.

Following the exercise of tranche 1 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 2 took place on 28 June 2017. The net proceeds raised through the issue of tranche 2 of the Convertible Bonds to Riverhead Capital were HK$60,000,000, in which approximately HK$50,000,000 had been used for further expanding its margin financing business and approximately HK$10,000,000 for its underwriting business.

Following the completion of tranche 2 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 3 took place on 5 July 2018. The net proceeds raised through the issue of tranche 3 of the Convertible Bonds to Riverhead Capital were HK$60,000,000, in which approximately HK$36,000,000 had been used for further strengthening the proprietary trading business, approximately HK$12,000,000 had been used for engagement in private equity investments such as pre-IPO investment, and approximately HK$12,000,000 had been used for the asset management business as seed money to the existing funds and/or new funds.

The tranche 3 of the Convertible Bonds to Riverhead Capital was exercised in 65% of original principal amount, which was equivalent to the amount of HK$39,000,000 at the conversion price of HK$0.06 on 13 January 2019. After the completion of conversion, the number of 650,000,000 shares was being issued on 14 January 2019.

The tranche 4 of the Convertible Bonds to Riverhead Capital were not issued due to the non-satisfaction of the conditions precedents set out in the Riverhead Capital Subscription Agreement.

For details of the Cinda Subscription Agreement, PAL Subscription Agreement and Riverhead Capital Subscription Agreement and the relevant transactions, please refer to the circular dated 13 December 2016 and announcements dated 21 September 2016, 22 November 2016, 5 January 2017, 30 March 2017, 28 April 2017, 5 July 2018 and 14 January 2019.

With reference made to the mentioned circular and announcements, Tranche 1 Convertible Bonds, tranche 2 of the Convertible Bonds to Riverhead Capital and tranche 3 of the Convertible Bonds to Riverhead Capital were issued pursuant to the resolutions passed at the extraordinary general meeting held on 5 January 2017. The total funds raised from and the details of the use of proceeds of the said tranches are as follows:

Tranche 1 Convertible Bonds

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2019	Unutilized proceeds as at 30 September 2019	Expected timeline for the use of unutilized proceeds and reasons for delay
a.	Expanding the margin financing and underwriting businesses	HK$60,000,000	HK$60,000,000	HK$0	Not applicable
b.	Establishment of a joint venture company to be formed in the PRC (the "**JV Company**") under the Closer Economic Partnership Arrangement	HK$120,000,000	HK$0	HK$120,000,000	The proceeds is planned to be applied in accordance with the intended use as disclosed in the circular dated 13 December 2016. Documents to supplement the application made to China Securities Regulatory Commission for establishment of the JV Company was last made on 27 July 2018 while the timeframe is subject to the said regulator's approval
c.	Expanding its money lending business	HK$150,000,000	HK$150,000,000	HK$0	Not applicable
d.	Engaging in private equity investments	HK$12,000,000	HK$12,000,000	HK$0	Not applicable
e.	Proprietary trading	HK$5,000,000	HK$5,000,000	HK$0	Not applicable
f.	Strengthening the capital base of wealth management business	HK$2,000,000	HK$2,000,000	HK$0	Not applicable
g.	Strengthening the capital base of corporate financing business	HK$2,000,000	HK$2,000,000	HK$0	Not applicable
h.	General working capital	HK$34,000,000	HK$34,000,000	HK$0	Not applicable

Tranche 2 of the Convertible Bonds to Riverhead Capital

Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2019	Unutilized proceeds as at 30 September 2019	Expected timeline for the use of unutilized proceeds
a. Further expanding the margin financing business	HK$50,000,000	HK$50,000,000	HK$0	Not applicable
b. Further strengthening the underwriting businesses	HK$10,000,000	HK$10,000,000	HK$0	Not applicable

Tranche 3 of the Convertible Bonds to Riverhead Capital

Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2019	Unutilized proceeds as at 30 September 2019	Expected timeline for the use of unutilized proceeds
a. Further strengthening the proprietary trading business	HK$36,000,000	HK$36,000,000	HK$0	Not applicable
b. Further engagement in private equity investments	HK$12,000,000	HK$12,000,000	HK$0	Not applicable
c. For the asset management business to be used as seed money to the existing funds and/or new funds	HK$12,000,000	HK$12,000,000	HK$0	Not applicable

Equity Investment

As at 30 September 2019, the Group held equity investments of approximately HK$145,625,000 (as at 31 March 2019: approximately HK$121,288,000).

Material Acquisition and Disposal

There was no material acquisition or disposal of the Group during the Period.

Contingent Liabilities

As at 30 September 2019, the Group had no material contingent liabilities (as at 31 March 2019: nil).

Charge on the Group's Asset

As at 30 September 2019, equity investments amounted to approximately HK$113,308,000 (as at 31 March 2019: nil) was charged as securities for bank loans.

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 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 30 September 2019, the Group had 91 employees in total (as at 31 March 2019: 101 employees). The related employees' costs for the Period (excluding Directors' remunerations) amounted to approximately HK$28,735,000 (as at 30 September 2018: approximately HK$39,170,000). 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.

Event After The Reporting Period

Details of significant event occurring after the Period are set out in note 24 to the condensed consolidated financial statements.

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.

During the Period, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as 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 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 recommend the payment of an interim dividend for the six months ended 30 September 2019.

REVIEW OF FINANCIAL INFORMATION BY AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang, Mr. CHIU Kung Chik and Mr. LI Gaofeng.

The Audit Committee has reviewed, together 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 condensed consolidated interim financial statements of the Group for the six months ended 30 September 2019.

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 of the Company and published on the above websites in due course.

By order of the Board of
China Fortune Financial Group Limited
HUA Yang
Chief Executive Officer and Executive Director

Hong Kong, 29 November 2019

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. HUA Yang and Mr. ZHU Yi; three non-executive Directors, namely Mr. HAN Hanting, Mr. CHEN Zhiwei and Mr. WU Ling; and four independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok, Mr. CHIU Kung Chik and Mr. LI Gaofeng.