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Capital Finance Holdings Limited **首都金融控股有限公司**

(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8239)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, for which the directors (the "Directors") of Capital Finance Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

The board of directors (the “**Board**”) of Capital Finance Holdings Limited (the “**Company**”) is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three (the “**Quarterly Period**”) and six (the “**Interim Period**”) months ended 30 June 2016 together with the comparative figures in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	Note	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation					
Revenue	4	32,841	36,580	70,622	69,494
Other income, and other gains and losses, net	4	1,093	701	3,539	1,477
Administrative and other expenses		(10,990)	(15,068)	(24,206)	(34,284)
Loss on early redemption of promissory notes	16(b)	-	-	(249)	(381)
Fair value gain on contingent consideration – consideration shares	18	-	11,250	1,141	22,500
Impairment loss on goodwill	12	-	-	-	(275,934)
(Provision for) Reversal of impairment on loans to customers	14(a)	(304)	(619)	410	(847)
Finance costs	5	(10,719)	(10,680)	(21,274)	(21,971)
<hr/>					
Profit (Loss) before income tax from continuing operation		11,921	22,164	29,983	(239,946)
Income tax expense	7	(4,597)	(5,761)	(9,344)	(12,191)
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CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

For the six months ended 30 June 2016

	Note	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Profit (Loss) for the period from continuing operation		7,324	16,403	20,639	(252,137)
Discontinued operations					
Profit (Loss) for the period from discontinued operations	9	–	975	1,654	(25,695)
Profit (Loss) for the period		7,324	17,378	22,293	(277,832)
Attributable to:					
Owners of the Company		6,700	16,607	20,920	(278,304)
Non-controlling interests		624	771	1,373	472
		7,324	17,378	22,293	(277,832)
Earnings (Loss) per share attributable to owners of the Company	10				
From continuing and discontinued operations					
– Basic (Hong Kong cents)		0.57	1.49	1.79	(26.62)
– Diluted (Hong Kong cents)		0.57	0.9	1.40	(26.62)
From continuing operation					
– Basic (Hong Kong cents)		0.57	1.41	1.65	(24.24)
– Diluted (Hong Kong cents)		0.57	0.87	1.34	(24.24)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (Loss) for the period	7,324	17,378	22,293	(277,832)
Other comprehensive income (losses) for the period				
<i>Item that has been reclassified to profit or loss:</i>				
– Reclassification adjustment of exchange reserves on disposal of interests in overseas subsidiaries	–	–	3,654	–
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translation of financial statements of overseas subsidiaries	(23,019)	228	(16,917)	2,847
Total other comprehensive (losses) income for the period, net of tax	(23,019)	228	(13,263)	2,847
Total comprehensive (losses) income for the period	(15,695)	17,606	9,030	(274,985)
Attributable to:				
Owners of the Company	(15,865)	16,829	7,994	(275,272)
Non-controlling interests	170	777	1,036	287
	(15,695)	17,606	9,030	(274,985)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	2,168	3,734
Intangible assets	13	155,820	177,289
Goodwill	12	158,599	181,968
Available-for-sale financial assets		8,172	8,356
Deferred tax assets		3,314	3,879
Total non-current assets		328,073	375,226
Current assets			
Loans to customers	14	475,242	383,048
Trade receivables	15	3,010	1,442
Prepayments, deposits and other receivables		7,505	13,179
Cash and cash equivalents		58,651	119,091
Total current assets		544,408	516,760
Current liabilities			
Accrued expenses, other payables and deposits received		9,798	16,746
Tax payable		5,446	5,285
Interest-bearing borrowings		12,376	4,775
Total current liabilities		27,620	26,806
Net current assets		516,788	489,954
Total assets less current liabilities		844,861	865,180
Non-current liabilities			
Promissory notes	16	18,901	34,360
Convertible bonds – liability component	17	496,832	476,450
Contingent consideration – consideration shares	18	–	27,382
Deferred tax liabilities		38,955	44,067
Total non-current liabilities		554,688	582,259
Net assets		290,173	282,921
Capital and reserves			
Issued capital	19	11,812	11,547
Reserves		263,768	256,039
Equity attributable to owners of the Company		275,580	267,586
Non-controlling interests		14,593	15,335
Total equity		290,173	282,921

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Reserves								Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000	
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000				Accumulated losses HK\$'000
At 1 January 2016 (Audited)	11,547	534,438	131,109	120,794	(40,837)	754,090	9,544	13,936	(1,267,035)	267,586	15,335	282,921
Profit for the period	-	-	-	-	-	-	-	-	20,920	20,920	1,373	22,293
Other comprehensive loss												
Item that has been reclassified to profit or loss												
Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	-	-	-	-	3,654	-	-	-	-	3,654	-	3,654
Item that may be reclassified subsequently to profit or loss												
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(16,580)	-	-	-	-	(16,580)	(337)	(16,917)
Total other comprehensive loss for the period	-	-	-	-	(12,926)	-	-	-	-	(12,926)	(337)	(13,263)
Total comprehensive income for the period	-	-	-	-	(12,926)	-	-	-	20,920	7,994	1,036	9,030
Transactions with owners												
Contributions and distributions												
Issue of new shares upon fulfillment of guaranteed profit (Note 19 (iii))	265	9,279	-	-	-	-	(9,544)	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,778)	(1,778)
Total transactions with owners	265	9,279	-	-	-	-	(9,544)	-	-	-	(1,778)	(1,778)
At 30 June 2016 (Unaudited)	11,812	543,717	131,109	120,794	(53,763)	754,090	-	13,936	(1,246,115)	275,580	14,593	290,173

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015

	Reserves									Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2015 (unaudited)	9,684	419,807	131,109	120,794	2,714	569,660	229,168	9,012	(986,200)	505,748	20,597	526,345
Loss for the period	-	-	-	-	-	-	-	-	(278,304)	(278,304)	472	(277,832)
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss</i> Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	3,032	-	-	-	-	3,032	(185)	2,847
Total other comprehensive income for the period	-	-	-	-	3,032	-	-	-	-	3,032	(185)	2,847
Total comprehensive loss for the period	-	-	-	-	3,032	-	-	-	(278,304)	(275,272)	287	(274,985)
Transfer to statutory reserve	-	-	-	-	-	-	-	(18)	18	-	-	-
Transactions with owners <i>Contributions and distributions</i> Issue of new share on acquisition of subsidiaries – Auto-serve Group (Note (i))	109	6,304	-	-	-	-	-	-	-	6,413	-	6,413
Issue of new shares on the March 2015 Placement (Note (ii))	518	28,570	-	-	-	-	-	-	-	29,088	-	29,088
Conversion of convertible bonds (Note (iii))	943	68,180	-	-	-	(44,738)	-	-	-	24,385	-	24,385
Subscription of new shares (Note (iv))	293	11,577	-	-	-	-	-	-	-	11,870	-	11,870
Issue of convertible bonds on acquisition of subsidiaries – equity component	-	-	-	-	-	229,168	(229,168)	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,115)	(2,115)
Total transactions with owners	1,863	114,631	-	-	-	184,430	(229,168)	-	-	71,756	(2,115)	69,641
At 30 June 2015 (Unaudited)	11,547	534,438	131,109	120,794	5,746	754,090	-	8,994	(1,264,486)	302,232	18,769	321,001

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2015

Notes:

- (i) In March 2015, approximately 10,870,000 new ordinary shares of par value of HK\$0.01 each of the Company were issued as part of the consideration in acquiring the entire equity interest in Beijing Auto-serve Software Company Limited ("**Beijing Auto**") and entire issued share capital of Vibrant Youth Limited ("**Vibrant Youth**") (collectively referred to as the "**Auto-serve Group**"). The fair value of the shares issued at the date of completion of acquisition is approximately HK\$6,413,000 of which approximately HK\$109,000 was credited to the share capital and the remaining balance of approximately HK\$6,304,000 was credited to the share premium account.
- (ii) In March 2015, 51,800,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under placements (the "**March 2015 Placement**") at a placing price of HK\$0.58 each at an aggregate consideration of approximately HK\$29,088,000 (net of issuing expenses of approximately HK\$956,000), of which approximately HK\$518,000 was credited to share capital and the remaining balance of approximately HK\$28,570,000 was credited to the share premium account.
- (iii) In April 2015, the convertible bonds with aggregate value of HK\$33,000,000 were converted into ordinary shares of par value HK\$0.01 each of the Company at conversion price of HK\$0.35 per share.
- (iv) In June 2015, 29,270,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under subscription at a subscription price of HK\$0.41 each at consideration of approximately HK\$12,001,000 net of issuing expenses of approximately HK\$131,000 of which approximately HK\$293,000 was credit to share capital and the remaining balance of approximately HK\$11,577,000 was credit to the share premium account.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

		Six months ended 30 June	
	Note	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
OPERATING ACTIVITIES			
Cash (used in) generated from operations		(60,453)	48,789
Interest received		395	126
Income taxes paid		(9,449)	(17,545)
Interest paid		(440)	(1,037)
Net cash (used in) from operating activities		(69,947)	30,333
INVESTING ACTIVITIES			
Cash acquired upon acquisition of subsidiaries		–	801
Proceeds from disposal of subsidiaries, net of cash disposed of	20	20,992	–
Purchases of property, plant and equipment	11	(545)	(1,746)
Proceeds from disposal of property, plant and equipment		–	99
Net cash from (used in) investing activities		20,447	(846)
FINANCING ACTIVITIES			
Proceeds from issuance of new shares placements, net of issue costs		–	40,958
Proceeds from interest-bearing borrowings		14,010	1,265
Repayments of interest-bearing borrowings		(6,305)	(650)
Repayment of principal of promissory notes		(15,000)	(26,000)
Interest on interest-bearing borrowings		–	(320)
Interest on promissory notes		–	(320)
Dividends paid to non-controlling interests		(1,778)	(2,115)
Net cash (used in) from financing activities		(9,073)	12,818
Net (decrease) increase in cash and cash equivalents		(58,573)	42,305
Cash and cash equivalents at beginning of the period		119,091	51,769
Effect of foreign exchange rate changes, net		(1,867)	148
Cash and cash equivalents at end of the period		58,651	94,222
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents		58,651	94,222

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Capital Finance Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on The Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.

During the Interim Period, the Company is principally engaged in investment holding and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in short-term financing services in the People’s Republic of China (the “**PRC**”) and Hong Kong, further details of which are set out in Note 3. The Group was also engaged in (i) business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC which was discontinued during the Interim Period; (ii) property investments in Hong Kong; and (iii) business of coal trading between the PRC and Indonesia which were discontinued in the last financial period from 1 April 2015 to 31 December 2015, further details of which are set out in Note 3 and Note 9.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of Preparation

The unaudited condensed consolidated interim financial statements of the Group for the three and six months ended 30 June 2016 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2015, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, HKAS and Interpretation issued by HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the nine months ended 31 December 2015 (the “**Annual Report**”).

2.2 Principal Accounting Policies

The Interim Financial Statements have been prepared on the historical cost basis, except for contingent consideration which have been measured at fair value.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the Annual Report.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Principal Accounting Policies (Continued)

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effect on the results and financial position of the Group for the current and prior accounting periods.

At the date of authorisation of the Interim Financial Statements, the Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

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 date is deferred

The directors of the Company (the “**Directors**”) have already commenced an assessment of the impact of these new and revised HKFRSs but are not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group’s results of operations and financial position.

Change of financial year end date

The Company changed its financial year end date from 31 March to 31 December in the last financial period in order to align with the financial year end date of the operating subsidiaries established in the PRC.

To enhance comparability, the comparative figures in these unaudited condensed consolidated income statement and condensed consolidated statement of comprehensive income covered a six-month period from 1 January 2015 to 30 June 2015.

3. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of the operating segments and to allocate resources to those segments.

The Group’s operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

- (a) The short-term financing services segment comprised pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in the PRC and Hong Kong;
- (b) Development and sales of software segment comprised development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. The Group completed the disposal of development and sales of software business on 31 March 2016. Accordingly, the development and sales of software segment was classified as a discontinued operation, details of which are set out in Note 9(c).

3. SEGMENT INFORMATION (Continued)

- (c) The coal trading segment comprised the business of coal trading between the PRC and Indonesia. The Group completed the disposal of coal trading business on 31 December 2015. Accordingly, the coal trading segment was classified as a discontinued operation, details of which are set out in Note 9(b).
- (d) The property investments segment comprised investment in various properties for rental income purposes. The Group completed the disposal of property investments business on 10 July 2015. Accordingly, the property investments segment was classified as a discontinued operation, details of which are set out in Note 9(a).

In determining the Group's geographical segments, revenues and results are based on the location in which the customer is located.

Reportable Segments

The following tables present revenue, expenditure, results and assets and liabilities information for the Group's reportable segments for the six months ended 30 June 2016 and 2015.

(i) Business Segments

	Six months ended 30 June 2016		
	Continuing operation	Discontinued operation	
	Short-term financing services (Unaudited) HK\$'000	Development and sales of software (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue			
External sales and services and reportable segment revenue	70,622	4,730	75,352
Reportable segment results	56,118	1,648	57,766
Reversal of impairment loss on loans to customers	410	-	410

	Six months ended 30 June 2015 (Restated)					
	Continuing operation	Discontinued operations				Consolidated (Unaudited) HK\$'000
	Short-term financing services (Unaudited) HK\$'000	Coal trading (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Development and sales of software (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	
Segment revenue						
External sales and services and reportable segment revenue	69,494	35,169	-	4,597	39,766	109,260
Reportable segment results	(223,570)	(10,551)	(10,966)	(6,026)	(27,543)	(251,113)
Impairment loss on goodwill	(275,934)	-	-	(7,605)	(7,605)	(283,539)
Impairment loss on trade receivables	-	(12,116)	-	-	(12,116)	(12,116)
Fair value loss on an investment property	-	-	(10,000)	-	(10,000)	(10,000)
Provision for impairment loss on loans to customers	(847)	-	-	-	-	(847)

3. SEGMENT INFORMATION (Continued)

Reportable Segments (Continued)

(i) Business Segments (Continued)

Reconciliation of reportable segment results, assets and liabilities:

	Six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Continuing operation		
Profit (Loss) before income tax		
Reportable segment profit (loss)	56,118	(223,570)
Loss on early redemption of promissory notes	(249)	(381)
Fair value gain on contingent consideration – consideration shares	1,141	22,500
Unallocated corporate income and expenses, net	(27,027)	(38,495)
	29,983	(239,946)
Discontinued operations		
Profit (Loss) before income tax		
Operating loss for the reportable segments	(385)	(27,543)
Gain on disposal of subsidiaries	2,033	–
	1,648	(27,543)
Continuing and discontinued operations		
Profit (Loss) before income tax	31,631	(267,489)

3. SEGMENT INFORMATION (Continued)

Reportable Segments (Continued)

(i) Business Segments (Continued)

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Segment assets		
Short-term financing services	861,338	806,769
Development and sales of software	–	52,530
Reportable segment assets	861,338	859,299
Unallocated corporate assets	11,143	32,687
Consolidated total assets	872,481	891,986
Segment liabilities		
Short-term financing services	(66,031)	(61,281)
Development and sales of software	–	(7,177)
Reportable segment liabilities	(66,031)	(68,458)
Unallocated corporate liabilities	(516,277)	(540,607)
Consolidated total liabilities	(582,308)	(609,065)

(ii) Geographical Segments

The following table provides an analysis of the Group's revenue from external customers:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation		
Hong Kong	–	2,100
PRC	70,622	67,394
	70,622	69,494
Discontinued operations		
PRC	4,730	39,766
	75,352	109,260

4. REVENUE, OTHER INCOME, AND OTHER GAINS AND LOSSES, NET

	Three months ended		Six months ended	
	30 June		30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation				
Revenue:				
Interest income from loans to customers	24,484	22,694	45,143	44,611
Financial consultancy income	8,544	14,398	25,938	25,920
Short-term financing services related expenses (Note 5)	(187)	(512)	(459)	(1,037)
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Short-term financing services income, net	32,841	36,580	70,622	69,494
<hr/>				
Other income, and other gains and losses, net				
Foreign exchange (loss) gain, net	(213)	61	(158)	161
Gain on dissolution of subsidiaries	–	–	–	654
Bank interest income	161	126	392	126
Waive of interest expenses on promissory note (Note 16)	–	–	1,600	–
Loss on disposal of property, plant and equipment	–	–	(4)	(15)
Sundry income	1,145	514	1,709	551
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	1,093	701	3,539	1,477
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5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation				
Effective interest expenses on:				
– Convertible bonds	10,298	9,548	20,382	19,222
– Promissory notes	421	1,132	892	2,749
Interest expenses on funds for loans to customers	187	512	459	1,037
	10,906	11,192	21,733	23,008
Less: Interest expenses included in revenue (Note 4)	(187)	(512)	(459)	(1,037)
	10,719	10,680	21,274	21,971
Discontinued operations				
Interest on bank borrowings wholly repayable within five years (Note 9b)	–	158	–	320
	10,719	10,838	21,274	22,291

6. PROFIT (LOSS) BEFORE INCOME TAX

The Group's profit (loss) before income tax for both continuing and discontinued operations is arrived at after charging the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation				
Depreciation of property, plant and equipment	291	272	585	559
Discontinued operations				
Depreciation of property, plant and equipment	–	72	123	72
Amortisation of intangible assets	–	302	370	363
Cost of inventories sold	–	16,639	–	33,285

7. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated income statement represents:

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operation				
Current tax				
PRC				
Current tax charge for the period	4,502	5,699	9,070	11,809
Under-provision in respect of prior periods	172	62	172	62
Deferred tax (credit) expense	(77)	–	102	320
Income tax expense for continuing operation	4,597	5,761	9,344	12,191
Discontinued operations				
Current tax				
Hong Kong				
Current tax charge for the period	–	126	–	353
Over-provision in respect of prior periods	–	–	–	(251)
PRC				
Current tax charge for the period	–	42	–	139
Deferred tax credit	–	(75)	(6)	(2,089)
Income tax expense (credit) for discontinued operations	–	93	(6)	(1,848)
Total income tax expense for continuing and discontinued operations	4,597	5,854	9,338	10,343

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the current and prior periods.

The subsidiaries of the Group established in the PRC are subject to enterprise income tax ("EIT") of the PRC at 25% (2015: 25%), except for Beijing Auto-serve Software Company Limited which is subject to EIT of the PRC at a preferential rate of 15% for high and new technology enterprises up to 2017.

Pursuant to the implementation rules announced by the People's Government of the Tibet Autonomous Region, a subsidiary of the Group established in Tibet of the PRC is subject to the EIT of the PRC at 9% up to 2017.

8. DIVIDEND

The directors of the Company do not recommend for payment of a dividend for the Interim Period (2015: HK\$Nil).

9. DISCONTINUED OPERATIONS

(a) Property Investments Operation

On 9 June 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Foremost Star Investments Limited ("**Foremost Star**", together with its subsidiary are referred to as the "**Foremost Star Group**") to an independent third party at a consideration of HK\$52,000,000. The Foremost Star Group carried out all of the Group's property investments operation. Accordingly, the Group's property investments operation was classified as a discontinued operation. The disposal was completed on 10 July 2015.

(b) Coal Trading Operation

On 14 July 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Star Coal International Investment Company Limited ("**Star Coal**", together with its subsidiaries are referred to as the "**Star Coal Group**") to an independent third party at a consideration of HK\$54,000,000. The Star Coal Group carried out all of the Group's coal trading operation. Accordingly, the Group's coal trading operation was classified as a discontinued operation. The disposal was completed on 31 December 2015.

(c) Development and Sales of Software Operation

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth at a consideration of HK\$26,208,000 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the Group's development and sales of software operation was classified as a discontinued operation. The disposal was completed on 31 March 2016.

The results of the discontinued operations have been presented separately in the condensed consolidated income statement. Comparative figures have been restated to reflect the discontinued operations in the condensed consolidated income statement.

	2016	Three months ended 30 June 2015 (Restated)				
		Development and sales of Software (Unaudited) HK\$'000	Coal trading (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Development and sales of Software (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Note					
Revenue		-	17,582	-	3,590	21,172
Cost of sales		-	(16,639)	-	(520)	(17,159)
Gross profit		-	943	-	3,070	4,013
Other gains and losses, net		-	357	-	652	1,009
Selling and distribution expenses		-	(171)	-	-	(171)
Administrative and other expenses		-	(31)	(392)	(3,202)	(3,625)
Finance costs	5	-	(158)	-	-	(158)
Operating profit (loss)		-	940	(392)	520	1,068
Profit (Loss) before income tax		-	940	(392)	520	1,068
Income tax credit (expense)	7	-	(126)	-	33	(93)
Profit (Loss) for the period		-	814	(392)	553	975

9. DISCONTINUED OPERATIONS (Continued)

	Note	2016	Six months ended 30 June 2015 (Restated)			Total (Unaudited) HK\$'000
		Development and sales of Software (Unaudited) HK\$'000	Coal trading (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Development and sales of Software (Unaudited) HK\$'000	
Revenue		4,730	35,169	–	4,597	39,766
Cost of sales		(1,384)	(33,285)	–	(520)	(33,805)
Gross profit		3,346	1,884	–	4,077	5,961
Other gains and losses, net		403	545	8	1,205	1,758
Selling and distribution expenses		–	(342)	–	–	(342)
Administrative and other expenses		(4,134)	(202)	(974)	(3,703)	(4,879)
Fair value loss on an investment property		–	–	(10,000)	–	(10,000)
Impairment loss on goodwill		–	–	–	(7,605)	(7,605)
Impairment loss on trade receivables		–	(12,116)	–	–	(12,116)
Finance costs	5	–	(320)	–	–	(320)
Operating loss		(385)	(10,551)	(10,966)	(6,026)	(27,543)
Gain on disposal of subsidiaries	20	2,033	–	–	–	–
Profit (Loss) before income tax		1,648	(10,551)	(10,966)	(6,026)	(27,543)
Income tax credit (expense)	7	6	1,774	123	(49)	1,848
Profit (Loss) for the period		1,654	(8,777)	(10,843)	(6,075)	(25,695)

9. DISCONTINUED OPERATIONS (Continued)

The cash flow information of the discontinued operations was as follows:

	Six months ended 30 June 2016		Six months ended 30 June 2015 (Restated)			
	Development and sales of software HK\$'000	Total HK\$'000	Coal trading HK\$'000	Property investments HK\$'000	Development and sales of software HK\$'000	Total HK\$'000
Net cash (used in) from operating activities	(2,031)	(2,031)	10,726	(10)	(1,017)	9,699
Net cash used in investing activities	(296)	(296)	-	-	(736)	(736)
Net cash used in financing activities	-	-	(12,133)	-	-	(12,133)
Net decrease in cash and cash equivalents	(2,327)	(2,327)	(1,407)	(10)	(1,753)	(3,170)

The earnings (loss) per share information of the discontinued operations was as follows:

	Three months ended 30 June 2016 (Unaudited)		2015 (Unaudited) (Restated)	Six months ended 30 June 2016 (Unaudited)		2015 (Unaudited) (Restated)
Earnings (Loss) per share from discontinued operations attributable to owners of the Company:						
Basic (Hong Kong cents)	-	0.08		0.14	(2.38)	
Diluted (Hong Kong cents)	-	0.03		0.06	(2.38)	

The basic and diluted earnings (loss) per share from discontinued operations are calculated by dividing the earnings (loss) from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings (loss) per share computation and weighted average number of ordinary shares for diluted earnings (loss) per share computation respectively. The denominators used are the same as those detailed in Note 10.

10. EARNINGS (LOSS) PER SHARE

The calculations of basic earnings (loss) per share for the current and prior periods are based on the profit (loss) for the periods attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the current and prior periods.

The calculations of diluted earnings (loss) per share for the current and prior periods are based on the profit (loss) for the periods attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the current and prior periods and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

10. EARNINGS (LOSS) PER SHARE (Continued)

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for the six months ended 30 June 2015, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted loss per share for the six months ended 30 June 2015 are equal.

For the three and six months ended 30 June 2016 and three months ended 30 June 2015, the diluted earnings per share would reduce if the Company's outstanding convertible bonds were taken into account, as those convertible bonds had a dilutive effect to the basic earnings per share and hence the potential dilutive shares is assumed in the computation of diluted earnings per share.

From Continuing and Discontinued Operations

The calculations of basic and diluted earnings (loss) per share attributable to owners of the Company are based on the following data:

	Continuing operation		Discontinued operations		Total	
			Three months ended 30 June			
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Profit						
Profit attributable to the owners of the Company, used in basic earnings (loss) per share calculation	6,700	15,696	-	911	6,700	16,607
Adjustment of profit attributable to the owners of the Company:						
Interest saving of the convertible bonds	10,298	9,548	-	-	10,298	9,548
Profit attributable to the owners of the Company, used in the diluted earnings (loss) per share calculation	16,998	25,244	-	911	16,998	26,155
	Continuing operation		Discontinued operations		Total	
			Three months ended 30 June			
	2016 (Unaudited) '000	2015 (Unaudited) '000	2016 (Unaudited) '000	2015 (Unaudited) '000	2016 (Unaudited) '000	2015 (Unaudited) '000
Share						
Weighted average number of ordinary shares for basic earnings (loss) per share calculation	1,181,118	1,115,154	1,181,118	1,115,154	1,181,118	1,115,154
Effect of dilutive potential ordinary shares:						
Conversion of convertible bonds	1,780,571	1,794,041	1,780,571	1,794,041	1,780,571	1,794,041
Weighted average number of ordinary share for diluted earnings (loss) per share calculation	2,961,689	2,909,195	2,961,689	2,909,195	2,961,689	2,909,195

10. EARNINGS (LOSS) PER SHARE (Continued)
From Continuing Operation and Discontinued Operations

	Continuing operation		Discontinued operations		Total	
	Six months ended 30 June					
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Profit (Loss)						
Profit (Loss) attributable to the owners of the Company, used in basic earnings (loss) per share calculation	19,266	(253,501)	1,654	(24,803)	20,920	(278,304)
Adjustment of profit (loss) attributable to the owners of the Company:						
Interest saving of the convertible bonds	20,382	-	-	-	20,382	-
Profit (Loss) attributable to the owners of the Company, used in the diluted earnings (loss) per share calculation	39,648	(253,501)	1,654	(24,803)	41,302	(278,304)
	Continuing operation		Discontinued operations		Total	
	Six months ended 30 June					
	2016 (Unaudited) '000	2015 (Unaudited) '000	2016 (Unaudited) '000	2015 (Unaudited) '000	2016 (Unaudited) '000	2015 (Unaudited) '000
Share						
Weighted average number of ordinary shares for basic earnings (loss) per share calculation	1,170,193	1,045,603	1,170,193	1,045,603	1,170,193	1,045,603
Effect of dilutive potential ordinary shares:						
Conversion of convertible bonds	1,780,571	-	1,780,571	-	1,780,571	-
Weighted average number of ordinary share for diluted earnings (loss) per share calculation	2,950,764	1,045,603	2,950,764	1,045,603	2,950,764	1,045,603

11. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$545,000 (2015: approximately HK\$1,746,000). The Group has disposed of property, plant and equipment of approximately HK\$1,373,000 (2015: HK\$Nil) through disposal of subsidiaries which is set out in Note 20. Apart from this, the Group has disposed of property, plant and equipment of approximately HK\$4,000 (2015: approximately HK\$134,000) during the Interim Period.

12. GOODWILL

	Coal Trading CGU HK\$'000	Short-term Financing CGU HK\$'000	Software CGU HK\$'000	Total HK\$'000
Cost				
At 1 April 2015 (Audited)	24,425	711,696	64,512	800,633
Disposal through disposal of subsidiaries	(24,425)	–	–	(24,425)
Exchange realignments	–	(39,848)	(3,612)	(43,460)
At 31 December 2015 (Audited)	–	671,848	60,900	732,748
At 1 January 2016 (Audited)	–	671,848	60,900	732,748
Disposal through disposal of subsidiaries (Note 20)	–	–	(61,329)	(61,329)
Exchange realignments	–	(14,746)	429	(14,317)
At 30 June 2016 (Unaudited)	–	657,102	–	657,102
Accumulated impairment losses				
At 1 April 2015 (Audited)	24,425	539,921	7,639	571,985
Disposal through disposal of subsidiaries	(24,425)	–	–	(24,425)
Impairment losses	–	–	33,878	33,878
Exchange realignments	–	(30,230)	(428)	(30,658)
At 31 December 2015 (Audited)	–	509,691	41,089	550,780
At 1 January 2016 (Audited)	–	509,691	41,089	550,780
Disposal through disposal of subsidiaries (Note 20)	–	–	(41,140)	(41,140)
Exchange realignments	–	(11,188)	51	(11,137)
At 30 June 2016 (Unaudited)	–	498,503	–	498,503
Net carrying amount				
At 30 June 2016 (Unaudited)	–	158,599	–	158,599
At 31 December 2015 (Audited)	–	162,157	19,811	181,968

12. GOODWILL (Continued)

Goodwill arising in prior years related to (i) the acquisition of equity interest in China Indonesia Friendship Coal Trading Company Limited ("**CIFC**", together with its 90%-owned subsidiary, China Energy Trading Company Limited ("**China Energy**"), are collectively referred to as the "**CIFC Group**") and was allocated to the coal trading cash generating unit (the "**Coal Trading CGU**"); (ii) the acquisition of Prima Finance Holdings Limited and its subsidiaries (collectively referred to as the "**Prima Finance Group**"); and (iii) the Auto-serve Group because the considerations paid for these acquisitions effectively included amounts in relation to the benefits originated from fast growing pawn broker business, business potential of the consulting business and the software development and sales business, expected synergies, future market development and the assembled workforce of the acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Goodwill attributable to the Coal Trading CGU was fully impaired in prior years and was disposed of during the previous financial period ended 31 December 2015.

Goodwill acquired through business combinations in prior years has been allocated to the CGUs as follows for impairment test:

Short-term Financing CGU: Goodwill-Prima Finance Group.

Software CGU: Goodwill-Auto-serve Group.

The Directors have engaged Greater China Appraisal Limited ("**GCA**") to assist them to assess whether there is any impairment of goodwill in the Short-term Financing CGU. GCA has assessed business value of the acquired business and has taken into consideration the historical performance and the financial performance of the acquired business and determined the methodologies and the key valuation parameters and reviewed business assumptions adopted by the management.

Short-term Financing CGU

As at 31 March 2015, in light of keen competition from the internet financing sector and the continuous reduction in the benchmark lending rate and the lowering of reserve requirement ratio as announced by the People's Bank of China, which are expected to have a negative impact on the revenue and growth rate of the Short-term Financing CGU, based on the business value calculation, the recoverable amount of the Short-term Financing CGU fell below its then carrying amount. Accordingly, the goodwill allocated to the Short-term Financing CGU was impaired by approximately HK\$275,934,000 during the six months ended 30 June 2015.

As at 30 June 2016, the Group determines that there is no impairment of goodwill in respect of the Short term Financing CGU, as its recoverable amount exceeds its carrying value.

The recoverable amounts of the Short-term Financing CGU have been determined from the calculations of fair-value-less-cost-of-disposal based on cash flows projections derived from the financial budgets approved by the management covering a 10-year period, and are extrapolated to cash flows beyond such projected periods with the key assumptions stated below.

A 10-year financial budget is adopted for the Short-term Financing CGU because the management is confident on the predictability of the key inputs to the cash flow projection.

12. GOODWILL (Continued)

Software CGU

As at 31 March 2015, the management of the Group is of the opinion, based on the business value calculation, the Software CGU is partially impaired by approximately HK\$7,605,000 which was charged to profit or loss for the six months ended 30 June 2015.

The impairment is mainly due to the increase in fair value of the consideration as a result of increase in the share price of the Company at the date of completion of the acquisition since the negotiation and conclusion of the acquisition consideration, which in turn has resulted in a significant amount of goodwill recognised in connection with the acquisition of the Auto-serve Group.

As at 30 June 2016, no impairment loss on the Software CGU was considered necessarily as the Auto-serve Group in which the Software CGU is attributable to was disposed of during the Interim Period and a gain on disposal was recognised in the profit or loss, details of which are set out in Note 9(c) and Note 20.

	Six months ended 30 June 2016	Year ended 31 December 2015
Short-term Financing CGU		
Interest rates	17.3%-23%	17.4%-23%
Perpetual growth rate	3%	3%
Post-tax discount rate	13%-14%	12.9%-13.9%
Software CGU		
Annual revenue growth rates on various service lines	N/A	10.0%-25.9%
Perpetual growth rate	N/A	3%
Post-tax discount rate	N/A	33.8%

Other information on fair value measurement of the CGUs

The quantitative information of the significant unobservable inputs and the description of valuation techniques used in the fair value measurement for the CGUs containing goodwill or intangible assets with indefinite useful life, including the sensitivity analysis to changes in unobservable inputs are as follow:

CGUs	Fair value hierarchy	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Short-term Financing CGU	Level 3	Income approach	Perpetual growth rate	The higher the perpetual growth rate, the higher the fair value
			Discount rate	The higher the discount rate, the lower the fair value

There were no transfers into or out of level 3 for the above fair value measurement of the CGUs during the Interim Period (2015: Nil).

13. INTANGIBLE ASSETS

	The LOIs HK\$'000	Pawn Licences HK\$'000	Trademarks HK\$'000	Product Licences HK\$'000	System Software HK\$'000	Total HK\$'000
Cost						
At 1 April 2015 (Audited)	60,000	168,766	15,913	3,009	–	247,688
Additions	–	–	–	–	1,088	1,088
Disposal through disposal of subsidiaries	(60,000)	–	–	–	–	(60,000)
Exchange realignments	–	(9,449)	(891)	(169)	(38)	(10,547)
At 31 December 2015 (Audited)	–	159,317	15,022	2,840	1,050	178,229
At 1 January 2016 (Audited)	–	159,317	15,022	2,840	1,050	178,229
Exchange realignments	–	(3,497)	106	21	7	(3,363)
Disposal through disposal of subsidiaries (Note 20)	–	–	(15,128)	(2,861)	(1,057)	(19,046)
At 30 June 2016 (Unaudited)	–	155,820	–	–	–	155,820
Accumulated amortisation and impairment losses						
At 1 April 2015 (Audited)	24,192	–	–	61	–	24,253
Amortisation	–	–	–	883	30	913
Disposal through disposal of subsidiaries	(24,192)	–	–	–	–	(24,192)
Exchange realignments	–	–	–	(34)	–	(34)
At 31 December 2015 (Audited)	–	–	–	910	30	940
At 1 January 2016 (Audited)	–	–	–	910	30	940
Amortisation	–	–	–	283	87	370
Exchange realignments	–	–	–	10	1	11
Disposal through disposal of subsidiaries (Note 20)	–	–	–	(1,203)	(118)	(1,321)
At 30 June 2016 (Unaudited)	–	–	–	–	–	–
Net carrying amount						
At 30 June 2016 (Unaudited)	–	155,820	–	–	–	155,820
At 31 December 2015 (Audited)	–	159,317	15,022	1,930	1,020	177,289

13. INTANGIBLE ASSETS (Continued)

The LOIs

The LOIs relate to the Coal Trading CGU (as defined in Note 12) and represented two separate legally binding master framework purchase agreements entered into between the CIFIC Group (as defined in Note 12) and a customer and a supplier, which were acquired as part of the Group's acquisition of the CIFIC Group in previous years. The useful lives of the LOIs were estimated by the Group to be indefinite as the LOIs are renewed automatically and unconditionally at no additional cost and the directors of the Company consider that there is no foreseeable limit on the period of time over which the LOIs are expected to generate economic benefits to the Group.

As at 31 December 2015, the Group determined that there was no impairment of the Coal Trading CGU, as the Group has completed the disposal of coal trading business on 31 December 2015.

Pawn Licences

Pawn Licences represented the operating licences of the Pawn Broker Business (as defined in the Company's circular dated 30 May 2014), which has been newly acquired by the Group during the year ended 31 March 2015, and they are valued based on an Income Approach – Multi-period Excess Earnings Method ("MPEEM"). MPEEM is a derivative of the discounted cash flow method which is commonly adopted for the valuation of intangible assets. Using this technique, key valuation assumptions include discount rate, indefinite useful life of the Pawn Licences, contributory asset charges, etc. The management estimates the future economic benefits attributed to the Pawn Licences. Such future economic benefits are then discounted at a rate which reflects all business risks in relation to the Pawn Licences. Based on the projected revenues, the costs associated with the Pawn Licences are net off. The net income projection is then adjusted by contributory asset charges in order to derive the excess earnings attributable to the Pawn Licences. The contributory asset charges include returns on the assets that are used or used up in generating the profit of the Pawn Licences. Examples of such assets include fixed assets and assembled workforce.

The Directors are of the opinion that the Group would renew the Pawn Licences, at minimal cost, continuously and has the ability to do so. Therefore, the Pawn Licences are considered by the management as having an indefinite useful life because it is expected to contribute to new cash inflows indefinitely.

Trademarks

Trademarks as acquired as a result of a business combination have a legal life of 10 years but are renewable every 10 years at minimal cost. The Directors are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends have been performed by management of the Group, which supports that trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate new cash flows for the Group. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to new cash inflows indefinitely.

Product Licences

The Product Licences represented intangible assets acquired as a result of a business combination and are amortised over 3 years under the straight-line method.

System Software

The System Software represented the expenditure incurred for the development of the system software and are amortised over 3 years under the straight-line method.

Impairment Testing of the Pawn Licences, the Trademarks, Product Licences and the System Software

The carrying amounts of the Pawn Licences has been included in the impairment assessment of goodwill (as detailed in Note 12) for the respective short-term financing CGU. As at 30 June 2016, no impairment loss on the Trademarks, the Product Licences and the System Software was considered necessarily as the Auto-serve Group in which the Software CGU is attributable to was disposed of during the Interim Period and a gain on disposal was recognised in the profit or loss, details of which are set out in Note 9(c) and Note 20.

Short-term Financing CGU: Pawn Licences

Software CGU: Trademarks, Product Licences and System Software

14. LOANS TO CUSTOMERS

	Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Pawn loans		256,307	253,471
Micro-credit loans		105,017	102,600
Entrusted loans		120,887	34,514
Loans to customers, gross		482,211	390,585
Less: Impairment allowances	14(a)		
– Individually assessed		(2,987)	(4,211)
– Collectively assessed		(3,982)	(3,326)
		(6,969)	(7,537)
Loans to customers, net		475,242	383,048

The loans to customers are arising from the Group's pawn loans, micro-credit and entrusted loans services. The loan periods granted to customers are mainly ranging from one month to one year.

(a) Movements of impairment allowances are as follows:

	Six months ended 30 June 2016 (Unaudited)			Period from 1 April 2015 to 31 December 2015 (Audited)		
	Individually assessed HK\$'000	Collectively assessed HK\$'000	Total HK\$'000	Individually assessed HK\$'000	Collectively assessed HK\$'000	Total HK\$'000
At the beginning of the reporting period	4,211	3,326	7,537	1,917	4,230	6,147
(Reversal of)/Provision for impairment losses (credited) charged to profit or loss	(1,152)	742	(410)	2,488	(691)	1,797
Exchange realignments	(72)	(86)	(158)	(194)	(213)	(407)
At the end of the reporting period	2,987	3,982	6,969	4,211	3,326	7,537

14. LOANS TO CUSTOMERS (Continued)

(b) Aging Analysis

Aging analysis of loans to customers (after impairment allowances) prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Less than 1 month	82,277	267,260
1 to 3 month(s)	102,946	23,340
4 to 6 months	195,998	46,284
7 to 12 months	52,849	34,084
Over 12 months	41,172	12,080
	475,242	383,048

15. TRADE RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables from third parties	3,010	2,014
Impairment allowances	–	(572)
	3,010	1,442

- (a) The aging analysis of the Group's trade receivables (before impairment allowances) at the end of the reporting period, based on invoice date, is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 90 days	–	996
91 to 180 days	2,993	96
181 to 365 days	17	350
Over 365 days	–	572
	3,010	2,014

- (b) The Group normally allows an average credit term of 60 days (31 December 2015: 60 days) to its customers for the short term financing business. For customers in the development and sales of software business, the Group allows an average credit period of 30 days for the nine months ended 31 December 2015.

16. PROMISSORY NOTES

		Period from 1 January 2016 to 30 June 2016 (Unaudited) HK\$'000	Period from 1 April 2015 to 31 December 2015 (Audited) HK\$'000
	Note		
At the beginning of the reporting period		34,360	49,808
Early redemption of promissory notes	(b)	(14,751)	(18,265)
Accrued effective interest expense		892	3,137
Interest payments		–	(320)
Waive of interest expenses (Note 4)		(1,600)	–
Carrying value at the end of the reporting period		18,901	34,360
Face value, at the end of the reporting period		20,000	35,000

- (a) As at 30 June 2016, the promissory notes bear interest of 8% per annum and mature in 5 years from the date of issue. The effective interest rates of the promissory notes were determined to be approximately 9.01% per annum respectively. The promissory notes were classified under non-current liabilities and measured at amortised cost.
- (b) On 7 January 2016, the Company has exercised its right to early redeem promissory notes with aggregate principal amount of HK\$15,000,000. The carrying values of the promissory notes redeemed were approximately HK\$14,751,000 and a settlement loss of approximately HK\$249,000 was charged to profit or loss during the Interim Period.

17. CONVERTIBLE BONDS

As part of the acquisition consideration upon the completion of the Group's acquisition of the Prima Finance Group, the Company has issued zero-coupon convertible bonds in the principal amount of HK\$420,200,000 ("2019 CB") as part of the initial consideration to the vendors of the Prima Finance Group (including HK\$6,699,000 (face value) withheld by the Company as deferred convertible bonds). Based on assessment made by the Directors at the Completion Date, the Company is also expected to issue zero-coupon convertible bonds in the principal amount of HK\$40,653,000 as the contingent consideration in 2015 which actual amount is subject to the 2014 Actual Profit of the Prima Finance Group.

On 4 February 2015, apart from the release of the deferred convertible bonds in the face value of HK\$6,699,000 to the vendors, the Company issued zero-coupon convertible bonds in the principal amount of HK\$236,000,000 ("2020 CB") to the vendors upon fulfilment of the 2014 Actual Profit.

On 13 April 2015, the holders of 2019 CB exercised their rights to convert the zero-coupon convertible bonds in the principle amount of HK\$33,000,000 into new ordinary shares of the Company.

The convertible bonds are payable in one lump sum on maturity at 105% of the face value of five years from date of issue. The convertible bonds are convertible into ordinary shares of HK\$0.01 each of the Company at an initial conversion price of HK\$0.35 per conversion share at any time between the date of issuance and the seventh day prior to the maturity date of the convertible bonds, provided that (i) no holder of the convertible bonds shall exercise the conversion right attached to the convertible bonds held by such holder if immediately after such conversion, resulting in the public float of the Company unable to meet the requirement under the GEM Listing Rules; and (ii) no conversion rights attached to the convertible bonds may be exercised, to the extent that following such exercise, a holder of the convertible bonds and parties acting in concert with it, taken together, will trigger a mandatory offer obligation under the Rule 26 of the Hong Kong Code on Takeovers and Mergers.

17. CONVERTIBLE BONDS (Continued)

The conversion option of the convertible bonds is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the total fair value amount of the convertible bonds at the date of issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group.

The liability component of the convertible bonds is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The movements of above-mentioned convertible bonds were as follows:

	Period from 1 January 2016 to 30 June 2016 (Unaudited) HK\$'000	Period from 1 April 2015 to 31 December 2015 (Audited) HK\$'000
Equity component		
At beginning of the reporting period	754,090	798,828
Conversion during the period	–	(44,738)
<hr/>		
At the end of the reporting period	754,090	754,090
<hr/>		
Liability component		
At beginning of the reporting period	476,450	471,509
Effective interest expenses	20,382	29,326
Conversion during the period	–	(24,385)
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At the end of the reporting period	496,832	476,450
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Face value, at the end of the reporting period	623,200	623,200

18. CONTINGENT CONSIDERATION

During the Interim Period, the fair value gain on contingent consideration – consideration shares of approximately HK\$1,141,000 (six months ended 30 June 2015: HK\$22,500,000) was attributed to the fair value measurement of contingent consideration – consideration shares of which was valued with reference to the trading price of the Company's shares, the latest financial information of the Auto-serve Group, the Auto-serve Group's financial performance forecast and other relevant indicators.

In relation to the disposal of Auto-serve Group, a termination agreement was entered by the Company and other related parties where the contingent consideration shares payable of approximately HK\$26,241,000 by the Company were terminated on 24 March 2016. Further details of the agreement are set out in the announcement of the Company dated 24 March 2016.

19. SHARE CAPITAL

	Note	Number of shares '000	Amount HK\$'000
Authorised:			
As at 31 December 2015 and 30 June 2016, ordinary shares of HK\$0.01 each		10,000,000	100,000
Issued and fully paid:			
As at 1 April 2015, ordinary shares of HK\$0.01 each		1,031,050	10,311
Shares issued upon conversion of convertible bonds	(i)	94,286	943
Subscription of new shares	(ii)	29,270	293
As at 31 December 2015, ordinary shares of HK\$0.01 each		1,154,606	11,547
Issue of new shares upon fulfillment of guaranteed profit	(iii)	26,512	265
As at 30 June 2016, ordinary shares of HK\$0.01 each		1,181,118	11,812

- (i) In April 2015, the convertible bonds with aggregate value of HK\$33,000,000 were converted into ordinary shares of par value HK\$0.01 each of the Company at conversion price of HK\$0.35 per share.
- (ii) In June 2015, 29,270,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under subscription at a subscription price of HK\$0.41 each at consideration of approximately HK\$12,001,000 net of issuing expenses of approximately HK\$131,000 of which approximately HK\$293,000 was credit to share capital and the remaining balance of approximately HK\$11,577,000 was credit to the share premium account.
- (iii) The final settlement value of the 2015 Contingent Shares (as defined in the Annual Report) of HK\$9,544,000 was fully settled by the allotment and issuance of approximately 26,512,000 shares of the Company on 16 March 2016, of which approximately HK\$265,000 was credited to share capital and the remaining balance of approximately HK\$9,279,000 was credited to share premium account.

All new shares issued rank pari passu with the existing shares in all respects.

20. DISPOSAL OF SUBSIDIARIES

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth at an aggregate consideration of HK\$26,208,000 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation which comprises sales and development of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. Further details of the completion of the disposal are set out in announcements of the Company dated 24 March 2016 and 31 March 2016. The net assets of the Auto-serve Group at the date of disposal were as follows:

	HK\$'000
Intangible assets (Note 13)	17,725
Goodwill (Note 12)	20,189
Property, plant and equipment	1,373
Deferred tax assets	324
Trade and other receivables, and prepayment	9,511
Tax recoverable	496
Amount due from a shareholder of Vibrant Youth	994
Amount due from a related party	1
Cash and cash equivalents	3,958
Other payables and receipt in advance	(3,877)
Deferred tax liabilities	(4,196)
<hr/>	
Net assets of the Auto-serve Group	46,498
Contingent consideration payable (Note 18)	(26,241)
Exchange reserve released on disposal	3,654
Direct costs incurred for the disposal	264
Gain on disposal of subsidiaries (Note 9(c))	2,033
<hr/>	
Total cash consideration received	26,208
<hr/>	
	HK\$'000
Net cash inflow arising on disposal:	
Cash consideration	26,208
Repayment of amount due to Vibrant Youth	(994)
Costs directly attributable to the disposal	(264)
Cash and cash equivalents disposed of	(3,958)
<hr/>	
	20,992
<hr/>	

21. OPERATING LEASE COMMITMENTS

As Lessee

The Group leases its office premises and staff's quarter under operating lease arrangements, with leases negotiated for terms ranging from three months to twenty years. None of the leases includes contingent rentals.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	7,565	7,865
In the second to fifth years, inclusive	9,139	8,525
Over five years	3,254	5,193
	19,958	21,583

22. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis as at 30 June 2016 and 31 December 2015 across the three levels of the fair value hierarchy defined in HKFRS 13, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

a) Assets and liabilities measured at fair value

As at 30 June 2016 (Unaudited)	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Liability measured at fair value</i>				
Contingent consideration – consideration shares (Note 18)	–	–	–	–
<hr/>				
As at 31 December 2015 (Audited)	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Liability measured at fair value</i>				
Contingent consideration – consideration shares (Note 18)	27,382	–	–	27,382

22. FAIR VALUE MEASUREMENTS (Continued)

a) Assets and liabilities measured at fair value (Continued)

Due to the changes in the market conditions and the business performance of the Software CGU, the management is no longer certain that the contingent consideration – consideration shares would be settled in full, and therefore, the fair value of consideration – consideration shares at 31 December 2015 was classified as a level 3 fair value measurement instead of level 2 fair value measurement.

There was no assets and liabilities measured at fair value as at 30 June 2016 as the contingent consideration – consideration shares was fully settled by the allotment and issuance of shares on 16 March 2016, details of which are set out in Note 18 and Note 20.

The details of the movements of the recurring fair value measurements categorised as level 3 of the fair value hierarchy are as follows:

	Contingent consideration – consideration shares HK\$'000
As at 1 January 2016	27,382
Settlements	(26,241)
Changes in fair value recognised in profit or loss during the period	(1,141)
<hr/>	
As at 30 June 2016	–

The fair value gain on contingent consideration – consideration shares is recognised in the line item on the face of the consolidated income statement.

The description of sensitivity of changes in unobservable inputs for recurring level 3 fair value measurements, are as follows:

Liability	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration – consideration shares	Income approach	Forecasted income	The higher the forecasted income, the higher the fair value
		Forecasted expense	The higher the forecasted expense, the lower the fair value

The descriptions of the valuation techniques and inputs used in fair value measurement for contingent consideration – consideration shares was detailed in Note 18.

b) Assets and liabilities with fair value disclosure, but not measured at fair value

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair value as at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The financial year end date of the Company has been changed from 31 March to 31 December starting from the financial year 2015 in order to align with the Company's financial year end date with its operating companies in the PRC thereby streamlining the preparation of the Company's financial reporting process. Therefore, the current financial period covers a period of six months from 1 January 2016 to 30 June 2016 and the comparative figures covers a six-month period from 1 January 2015 to 30 June 2015.

During the Interim Period, the Group is principally engaged in short-term financing services in the PRC and Hong Kong. The Group was also engaged in (i) business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC which was discontinued during the Interim Period; (ii) property investments in Hong Kong; and (iii) business of coal trading between the PRC and Indonesia which were discontinued in the last financial period from 1 April 2015 to 31 December 2015. Details are disclosed in Note 9 to the unaudited condensed consolidated financial statements.

The Group recorded total revenue for the Interim Period of approximately Hong Kong dollars ("HK\$") 70,622,000 (2015: approximately HK\$69,494,000) from continuing operation, representing a slight increase of approximately HK\$1,128,000 as compared with the corresponding period last year.

The administrative and other expenses for the Interim Period from continuing operation has decreased by approximately HK\$10,078,000 to approximately HK\$24,206,000 (2015: approximately HK\$34,284,000).

The significant increase in profit attributable to the owners of the Company for the Interim Period by approximately HK\$299,224,000 to approximately HK\$20,920,000 (2015: a substantial loss of approximately HK\$278,304,000) was mainly attributable to the effect that no non-cash impairment loss on goodwill in relation to the short-term financing services cash generating unit was recorded for the Interim Period, while loss of approximately HK\$275,934,000 was recorded for the corresponding period last year.

Continuing Operation

Short-term Financing Services

During the Interim Period, the revenue of short-term financing services business was approximately HK\$70,622,000 (2015: approximately HK\$69,494,000). The segment results of the short-term financing services recorded a profit of approximately HK\$56,118,000 (2015: loss of approximately HK\$223,570,000). The significant increase in segment profit for the Interim Period when compared with the last corresponding period was mainly attributable to no non-cash impairment loss on goodwill of the short-term financing services business was recorded for the Interim Period, while impairment loss of approximately HK\$275,934,000 was recorded for the corresponding period last year.

BUSINESS AND FINANCIAL REVIEW (Continued)

Discontinued Operations

Development and Sales of Software

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the development and sales of software operation was classified as a discontinued operation. Details of the disposal are set out in the Company's announcements dated 24 March 2016 and 31 March 2016. The disposal was completed on 31 March 2016.

This segment recorded a revenue of approximately HK\$4,730,000 (2015: approximately HK\$4,597,000) and profit before income tax of approximately HK\$1,648,000 (2015: loss before income tax of approximately HK\$6,026,000) during the Interim Period. The increase in profit was mainly due to the recognition of gain on disposal of Auto-serve Group of approximately HK\$2,033,000 during the Interim Period while the loss resulted for the same period last year was mainly due to a non-cash impairment loss on goodwill of approximately HK\$7,605,000 was recorded for the six months ended 30 June 2015.

SIGNIFICANT INVESTMENTS AND DISPOSALS OF SUBSIDIARIES

Issue of Earn Out Consideration Shares for Auto-serve Group

References are made to the announcements of the Company dated 13 January 2015, 23 January 2015, and 13 March 2015 (the "**Announcements**") in relation to, among others, the acquisition of the Auto-serve Group, which involves the issue of consideration shares under general mandate. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

On 2 March 2016, the Company received the auditors' certificate confirming that the Actual Aggregated Profit for the year ended 31 December 2015 is approximately RMB5,287,000, and the Adjusted 2015 Earn Out Consideration Shares to be approximately 26,512,000 shares of the Company. As disclosed in the Announcements, subject to the Actual Aggregated Profit of the Auto-serve Group for the year ended 31 December 2015, the Company should pay Vendor C and Vendor D (or their nominee(s)) the Earn Out Consideration Shares pursuant to the Agreement (as amended and supplemented by the Supplemental Agreement).

The Adjusted 2015 Earn Out Consideration Shares would be allotted and issued to the Vendor C and Vendor D (or their nominee(s)) within 10 Business Days from the issue of the audited financial statements of Beijing Auto-serve Software Company Limited and audited consolidated financial statements of Vibrant Youth Limited for the year ended 31 December 2015.

On 16 March 2016, an aggregate of 26,512,494 Adjusted 2015 Earn Out Consideration Shares were allotted and issued.

Further details are set out in the announcement of the Company dated 2 March 2016.

SIGNIFICANT INVESTMENTS AND DISPOSALS OF SUBSIDIARIES (Continued)

Disposal of Auto-serve Group

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth at a consideration of HK\$26,208,000 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the Group's development and sales of software operation was classified as a discontinued operation. The disposal was completed on 31 March 2016.

Details of the disposal are set out in the announcements of the Company dated 24 March 2016 and 31 March 2016.

Save as disclosed above, the Group did not have any other significant investments and disposals of subsidiaries during the Interim Period.

ADVANCE TO AN ENTITY

On 29 December 2015, the Group entered into an entrusted loan agreement with 北京銀行股份有限公司 (Bank of Beijing Co., Ltd.*) (the "**Lending Bank**") and 北京建興泰建設科技有限責任公司 (Beijing Jianxingtai Construction and Technology Co., Ltd.*) (the "**Borrower**") pursuant to which the Group entrusted the Lending Bank with an amount of RMB76,000,000 (equivalent to approximately HK\$90,721,000) for the purpose of lending the same to the Borrower for a period of 12 months at an interest rate of 17.4% per annum with interest payable on a monthly basis and the principal amount at the end of the loan period (the "**Transaction**"). As at 30 June 2016 and up to the date of this announcement, RMB71,088,000 (equivalent to approximately HK\$82,995,000) (31 December 2015: RMB42,000,000 (equivalent to approximately HK\$50,135,000)) was drawn by the Borrower.

Details of the Transaction are set out in the announcement of the Company dated 29 December 2015.

PROSPECTS

Looking ahead, the global business environment is expected to be complex and continue to create challenging operating conditions for businesses. The PRC economy is expected to continue to deteriorate with a lower GDP growth rate. However, the Group will continue to leverage on its competitive advantage, solidify and further develop its short-term financing services. Apart from strengthening the present Beijing market, the Group will further expand its businesses in Shenyang, Hong Kong, and the other cities. The Group will seek new development opportunities so as to offer various financial products to our customers at the right time. In addition, the Group is committed to becoming an integrated financial services provider, and will continue to actively explore the opportunities to co-operate with various financial institutions in the future.

* *English name is for identification purpose only.*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group has total bank borrowings of approximately HK\$12,376,000 denominated in Renminbi (“RMB”) (31 December 2015: approximately HK\$4,775,000 denominated in RMB) and other debts comprising promissory notes and liability component of convertible bonds of approximately HK\$515,733,000 (31 December 2015: approximately HK\$510,810,000). All the bank borrowings were obtained on secured basis. The Group will try to obtain future financing, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 30 June 2016, the Group had cash and cash equivalents of approximately HK\$58,651,000 (31 December 2015: approximately HK\$119,091,000) which are mainly denominated in HK\$ and RMB. To manage liquidity risk, management monitors forecasts of the Group’s liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

As at 30 June 2016, the gearing ratio for the Group was approximately 1.92 (31 December 2015: approximately 1.93), calculated based on the total debts (comprising bank borrowings and other debts) of approximately HK\$528,109,000 over shareholder’s equity of approximately HK\$275,580,000. The debt ratio was approximately 0.67 (31 December 2015: approximately 0.68), calculated as total liabilities over total assets of the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group during the Interim Period is summarised as follows:

(i) Bank Borrowings

As at 30 June 2016, the bank borrowings denominated in RMB of approximately HK\$12,376,000 (31 December 2015: approximately HK\$4,775,000) bear a fixed interest rate of 5.7% (31 December 2015: 6.0%) per annum and are secured by a corporate guarantee given by an independent third party at a fee charged.

(ii) Promissory Notes

As at 31 December 2015, the Company had promissory notes issued as part of consideration for the acquisition of the Prima Finance Group outstanding. During the Interim Period, an 8% promissory notes in the principal amount of HK\$15,000,000 issued on 6 February 2015 was early redeemed by the Company through use of the proceeds from the disposal of Star Coal Group. As at 30 June 2016, the Company had outstanding promissory notes in the principal amount of HK\$20,000,000 issued on 6 February 2015. Summary of the promissory notes is as follows. Further details are set out in Note 16 to the unaudited condensed consolidated financial statements.

Date of issue	Principal amount (HK\$)	Interest rate per annum	Principal repayment due date	Redeemed principal amount (HK\$)	Outstanding principal amount (HK\$)
6 February 2015	35,000,000	8%	6 February 2020	15,000,000	20,000,000

CAPITAL STRUCTURE(Continued)

(iii) Convertible Bonds

As at 30 June 2016, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of Prima Finance Group outstanding. Summary of the convertible bonds is as follows. Further details are set out in Note 17 to the unaudited condensed consolidated financial statements.

Date of issue	Principal amount (HK\$)	Maturity Date	Conversion Price per share	Amount converted into shares during the Interim period (HK\$)	Balance (HK\$)	Number of Shares to be issued upon full conversion
25 June 2014	387,200,000	24 June 2019	HK\$0.35	–	387,200,000	1,106,285,714
6 February 2015	236,000,000	5 February 2020	HK\$0.35	–	236,000,000	674,285,714

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 2016, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currency, i.e. RMB, used by the respective group entities.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 June 2016, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 30 June 2016, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

CHARGE OF GROUP ASSETS

As at 30 June 2016 and 31 December 2015, the Group did not have any assets under charged.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2016, the Group employed a total of 110 employees (31 December 2015: 229). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees. The total employee remuneration, excluding Directors' remuneration, for the Interim Period amounted to approximately HK\$9,056,000 (30 June 2015: approximately HK\$8,982,000).

The Company adopted the Share Option Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the Share Option Scheme during the Interim Period.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liability (31 December 2015: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2016, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Interim Period was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Interim Period.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 30 June 2016, the following companies had interests in more than 5% of the Company's issued share capital:

Long Position in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company (Note 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	1,384,571,429	–	1,384,571,429	117.23
Mr. Dai Di (Note 1)	–	1,384,571,429	1,384,571,429	117.23
Time Prestige Holdings Limited (Note 2)	161,142,857	–	161,142,857	13.64
Mr. Dai Hao (Notes 2 and 3)	–	563,999,999	563,999,999	47.75
Bustling Capital Limited (Note 3)	402,857,142	–	402,857,142	34.10
Ms. Jin Yu (Notes 2 and 3)	–	563,999,999	563,999,999	47.75
Silver Palm Limited (Note 4)	71,428,571	–	71,428,571	6.04
Mr. Wang Jia Sheng (Note 4)	–	71,428,571	71,428,571	6.04

Notes:

- The 1,384,571,429 Shares held by Exuberant Global Limited represent (i) 174,200,000 Shares; and (ii) 1,210,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global Limited is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,384,571,429 Shares held by Exuberant Global Limited.
- The 161,142,857 Shares held by Time Prestige Holdings Limited represent (i) 26,800,000 Shares; and (ii) 134,342,857 Shares to be issued upon full conversion of the convertible bonds. Time Prestige Holdings Limited is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital Limited.
- The 402,857,142 Shares held by Bustling Capital Limited represent (i) 67,000,000 Shares; and (ii) 335,857,142 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital Limited is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 402,857,142 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 161,142,857 Shares held by Time Prestige Holdings Limited.
- Silver Palm Limited is wholly and beneficially owned by Mr. Wang Jia Sheng. Accordingly, Mr. Wang Jia Sheng is deemed to be interested in the 71,428,571 Shares held by Silver Palm Limited.
- The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 June 2016 (i.e. 1,181,118,056 Shares).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Save as disclosed above, the Directors are not aware of any person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above) who, as at 30 June 2016, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 2 August 2012 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

Eligible participants of the Scheme include Directors, non-executive officers including independent non-executive Directors, employees of the Group, customers of the Group, consultants, advisors, managers, officers or entities that provide research, development or other technological support to the Group.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the Interim Period. As at 30 June 2016, there was no outstanding share option under the Scheme.

As at the date of this announcement, a maximum of 23,050,219 shares, representing approximately 2% of the existing issued share capital of the Company, are available for issuance under the Share Option Scheme.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms to less exacting than the Rules 5.48 to 5.67 (the "**Model Code**") of the GEM Listing Rules. The Company had made specific enquires with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the Interim Period.

INTERESTS IN A COMPETING BUSINESS

As at 30 June 2016, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) have engaged in any business that competes or might compete with the business of the Group, or have any other conflict of interest with the Group pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting a high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. Throughout the Interim Period, the Company has complied with all the code provisions set out in Appendix 15 Corporate Governance Code and Corporate Governance Report (the "**CG Code**") of the GEM Listing Rules with the exception of the following deviation:

CODE PROVISION A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei was appointed as Chairman and chief executive officer of the Company (the "**CEO**") on 1 December 2015. Given the size and that the Company's and the Group's current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the Interim Period have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

By Order of the Board
Capital Finance Holdings Limited
Mr. Zhang Wei
Chairman and Executive Director

Hong Kong, 12 August 2016

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Ms. Li Wei, and the independent non-executive Directors are Mr. Chen Yihua, Mr. Du Hui and Ms. Sze Sau Wan.