

# CFHL

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)



擴展迎未來

Expand for  
**Future Growth**

First Quarterly Report  
**2015/16**

## **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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, 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 report 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 report misleading.*

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

## CONDENSED CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2015

		Three months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited) (Restated)
	Notes	HK\$'000	HK\$'000
<b>Continuing operations</b>			
Turnover	4	57,752	21,104
Cost of sales		(16,639)	(19,151)
Cost of services rendered		(520)	–
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Gross profit		40,593	1,953
Other income, and other gains and losses, net	4	1,710	1,432
Selling and distribution costs		(171)	(171)
Administrative and other expenses		(18,301)	(9,361)
Fair value loss on contingent consideration			
– convertible bonds	12	–	(18,767)
Fair value gain on contingent consideration			
– consideration shares	12	11,250	–
Impairment loss on goodwill	11	–	(262,546)
Impairment loss on loans to customers		(619)	(4)
Finance costs	5	(10,838)	(391)
<hr/>			
<b>Profit (Loss) before income tax from continuing operations</b>		<b>23,624</b>	(287,855)
Income tax expense	7	(5,854)	(465)
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<b>Profit (Loss) for the period from continuing operations</b>	6	<b>17,770</b>	(288,320)
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<b>Discontinued operation</b>			
Loss for the period from discontinued operation	9	(392)	(2,174)
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<b>Profit (Loss) for the period</b>		<b>17,378</b>	(290,494)

# CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

Period ended 30 June 2015

	Notes	Three months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000
<b>Attributable to:</b>			
Owners of the Company		<b>16,607</b>	(290,619)
Non-controlling interests		<b>771</b>	125
		<b>17,378</b>	(290,494)
<b>Earning (Loss) per share attributable to owners of the Company</b>			
	10		
From continuing and discontinued operations			
Basic (Hong Kong cents)		<b>1.49</b>	(41.52)
Diluted (Hong Kong cents)		<b>0.90</b>	(41.52)
From continuing operations			
Basic (Hong Kong cents)		<b>1.52</b>	(41.21)
Diluted (Hong Kong cents)		<b>0.91</b>	(41.21)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2015

	Three months ended	
	30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit (Loss) for the period</b>	<b>17,378</b>	(290,494)
<b>Other comprehensive income for the period, net of tax:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>228</b>	315
<b>Total comprehensive income for the period</b>	<b>17,606</b>	(290,179)
<b>Attributable to:</b>		
Owners of the Company	<b>16,829</b>	(290,304)
Non-controlling interests	<b>777</b>	125
	<b>17,606</b>	(290,179)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2015

	Reserves								Equity attributable to owners of the Company	Non-controlling interests	Total
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015 (Audited)	10,311	454,681	131,109	120,794	5,524	798,828	8,994	(1,281,093)	249,148	20,098	269,246
Profit for the period	-	-	-	-	-	-	-	16,607	16,607	771	17,378
<b>Other comprehensive income</b>											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	222	-	-	-	222	6	228
<b>Total other comprehensive income for the period</b>	-	-	-	-	222	-	-	-	222	6	228
<b>Total comprehensive income for the period</b>	-	-	-	-	222	-	-	16,607	16,829	777	17,606
<b>Transactions with owners</b>											
<i>Contributions and distributions</i>											
Conversion of convertible bonds	943	68,180	-	-	-	(44,738)	-	-	24,385	-	24,385
Subscription of new shares	293	11,577	-	-	-	-	-	-	11,870	-	11,870
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,106)	(2,106)
<b>Total transactions with owners</b>	1,236	79,757	-	-	-	(44,738)	-	-	36,255	(2,106)	34,149
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 three months ended 30 June 2014

	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	Statutory reserve HK\$'000	Accumulated losses HK\$'000			
At 1 April 2014 (Audited)	6,559	218,334	131,109	120,794	2,069	-	-	(312,111)	166,754	4,057	170,811
Loss for the period	-	-	-	-	-	-	-	(290,619)	(290,619)	125	(290,494)
<b>Other comprehensive income</b>											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	315	-	-	-	315	-	315
<b>Total comprehensive income for the period</b>	-	-	-	-	315	-	-	(290,619)	(290,304)	125	(290,179)
<b>Transactions with owners</b>											
<i>Contributions and distributions</i>											
Placements of new shares	445	19,233	-	-	-	-	-	-	19,678	-	19,678
Issue of new share on acquisition of subsidiaries	2,680	182,240	-	-	-	-	-	-	184,920	19,376	204,296
Issue of convertible bonds on acquisition of subsidiaries	-	-	-	-	-	569,660	-	-	569,660	-	569,660
<b>Total transactions with owners</b>	3,125	201,473	-	-	-	569,660	-	-	774,258	19,376	793,634
At 30 June 2014 (Unaudited)	9,684	419,807	131,109	120,794	2,384	569,660	-	(602,730)	650,708	23,558	674,266

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2015

## 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 period, the Company is principally engaged in investment holding and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in (i) short-term financing services in the People's Republic of China (the "**PRC**") and Hong Kong; (ii) business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC; (iii) business of coal trading between the PRC and Indonesia; and (iv) property investments in Hong Kong.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The unaudited condensed consolidated first quarterly financial statements of the Company for the three months ended 30 June 2015 (the "**First Quarterly Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

The preparation of the First Quarterly Financial Statements requires the management to make judgments, 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 First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performances of the Group since 31 March 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, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2015 (the "**Annual Report**").

### 2.2 Principal accounting policies

The First Quarterly Financial Statements have been prepared on the historical costs basis, except for investment property and contingent consideration which have been measured at fair value.

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

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 First Quarterly Financial Statements, the Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current period. 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.

Certain financial statements for the three months ended 30 June 2014 has been reclassified and restated to confirm with the current period's presentation and accounting treatment.



### 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 comprises sales and development of enterprise software and provision of software maintenance and support services for financial sectors in the PRC.
- (c) The coal trading segment comprised the business of coal trading between the PRC and Indonesia; and
- (d) The property investments segment comprised investment in various properties for rental income purposes. During the Period, the Group entered into a disposal agreement with an independent third party, to dispose of the entire equity interest and shareholder's loan of Foremost Star Investments Limited, an indirect wholly-owned subsidiary of the Company which through its wholly-owned subsidiary carried out all of the Group's property investments operation. Accordingly, the property investments segment was classified as a discontinued operation, details of which are set out in Note 9.

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, results and expenditure information for the Group's reportable segments for the three months ended 30 June 2015 and 2014.

#### (i) Business segments

	Three months ended 30 June 2015					
	Continuing operations				Discontinued operation	
	Short-term financing services	Sales and development of software	Coal trading	Sub-total	Property investments	Consolidated
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Segment revenue</b>						
External sales and services and reportable segment revenue	36,580	3,590	17,582	57,752	-	57,752
<b>Reportable segment profit (loss)</b>	27,666	520	940	29,126	(392)	28,734
Impairment loss on loans to customers	(619)	-	-	(619)	-	(619)

### 3. SEGMENT INFORMATION (Continued)

#### (i) Business segments (Continued)

	Three months ended 30 June 2014					
	Continuing operations			Discontinued operation		
	Short-term financing services (Unaudited) HK\$'000	Sales and development of software (Unaudited) HK\$'000	Coal trading (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>Segment revenue</b>						
External sales and services and reportable segment revenue	1,011	-	20,093	21,104	885	21,989
<b>Reportable segment profit (loss)</b>	(261,643)	-	955	(260,688)	(2,174)	(262,862)
Impairment loss on goodwill	(262,546)	-	-	(262,546)	-	(262,546)
Fair value loss on an investment property	-	-	-	-	(3,000)	(3,000)
Impairment loss on loans to customers	(4)	-	-	(4)	-	(4)

Reconciliation of reportable segment profit (loss) to consolidated profit (loss) before income tax is provided as follow:

	Three months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Continuing operations:</b>		
Profit (Loss) before income tax		
Reportable segment profit (loss)	<b>29,126</b>	(260,688)
Interest income on bank deposits	-	1
Fair value gain on contingent consideration		
- consideration shares	<b>11,250</b>	-
Fair value loss on contingent consideration		
- convertible bonds	-	(18,767)
Unallocated corporate income and expenses, net	<b>(16,752)</b>	(8,401)
Profit (Loss) before income tax	<b>23,624</b>	(287,855)

### 3. SEGMENT INFORMATION *(Continued)*

#### (ii) Geographical segments

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

	Three months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Hong Kong	2,100	885
PRC	55,652	21,104
	<b>57,752</b>	<b>21,989</b>

### 4. TURNOVER, OTHER INCOME, AND OTHER GAINS AND LOSSES, NET

	Three months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000
<b>Continuing operations</b>		
<b>Turnover:</b>		
Interest income from loans to customers	22,694	1,041
Financial consultancy income	14,398	3
Short-term financing services related expenses (Note 5)	(512)	(33)
	<b>36,580</b>	<b>1,011</b>
Short-term financing services income, net		
	<b>36,580</b>	<b>1,011</b>
Development and sales of software	3,590	–
Sale of goods	17,582	20,093
	<b>57,752</b>	<b>21,104</b>
<b>Other income, and other gains and losses, net</b>		
Foreign exchange gain, net	61	124
Interest income on bank deposits	126	1
Sundry income	1,523	1,307
	<b>1,710</b>	<b>1,432</b>

## 5. FINANCE COSTS

	Three months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Effective interest expenses on:		
– Convertible bonds	9,548	334
– Promissory notes	1,132	57
Interest on bank borrowings	158	–
Interest expense on funds for loans to customers	512	33
	<b>11,350</b>	<b>424</b>
Less: Interest expense included in turnover (Note 4)	(512)	(33)
	<b>10,838</b>	<b>391</b>

## 6. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

This is arrived at after charging the following:

	Three months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of inventories sold	16,639	19,151
Depreciation of property, plant and equipment	344	293
Amortisation of intangible assets	302	–

## 7. INCOME TAX EXPENSE

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

	Three months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Current tax – Hong Kong		
Charge for the period	126	242
Under-provision in respect of prior years	62	–
Current tax – PRC		
Charge for the period	5,741	223
Deferred tax credit	(75)	–
	<b>5,854</b>	<b>465</b>

Provision for Hong Kong Profits Tax and PRC Enterprise Income Tax are calculated at 16.5% (three months ended 30 June 2014: 16.5%) and 25% (three months ended 30 June 2014: 25%), respectively, on the estimated assessable profits for the Period, unless preferential tax treatments have been granted by the relevant tax authorities. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or places in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 8. DIVIDEND

The Directors do not recommend for payment of a dividend for the Period (2014: HK\$Nil)

## 9. DISCONTINUED OPERATION

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

On 9 June 2015, the Group had, through its indirect wholly-owned subsidiary, Star International Business Development Company Limited (the "**Vendor**") entered into a disposal agreement with Dynamic Harbour Limited, (the "**Purchaser**"), a company incorporated in Samoa with limited liability. Pursuant to the Disposal Agreement (as defined in the announcement of the Company dated 9 June 2015), the assets to be disposed of by the Vendor are the Sale Shares (as defined in the announcement of the Company dated 9 June 2015) and Sale Loan (as defined in the announcement of the Company dated 9 June 2015). The Sale Shares represent 50,000 ordinary shares of US\$1.00 each, being the entire issued share capital of Foremost Star Investments Limited (the "**Foremost Star**"), a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company prior to the Completion (as defined in the announcement of the Company dated 9 June 2015) which through its wholly-owned subsidiary carried out all of the Group's property investments operation. The Sale Loan represents the shareholder's loan, owing by the Foremost Star to the Vendor at Completion, which as at the date of the Disposal Agreement amounted to approximately HK\$26,100,000.

The consideration for the disposal of HK\$52,000,000 was settled by the Purchaser in cash at Completion, which took place on 10 July 2015.

No significant fair value change in the investment property as indirectly owned by Foremost Star is recognised for the Period (three months ended 30 June 2014: fair value loss of HK\$3,000,000).

The results of the discontinued operation have been presented separately in the condensed consolidated income statement as this segment represents a major line of business that has been disposed. Comparative figures have been restated to accordingly reflect the discontinued operation in the condensed consolidated income statement.

	Note	Three months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	4	–	885
Fair value loss on an investment property		–	(3,000)
Administrative and other expenses		(392)	(59)
Finance costs		–	–
Loss before income tax		(392)	(2,174)
Income tax		–	–
Loss for the period		(392)	(2,174)

## 9. DISCONTINUED OPERATION *(Continued)*

### Loss per share

	Three months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Loss per share from discontinued operation attributable to owners of the Company:		
Basic (Hong Kong cents)	<b>(0.03)</b>	(0.31)
Diluted (Hong Kong cents)	<b>(0.01)</b>	(0.31)

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

## 10. EARNING (LOSS) PER SHARE

The calculations of basic earning (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 earning (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.

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for the three months ended 30 June 2014, 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 (i) from continuing and discontinued operations; and (ii) from continuing operations for the three months ended 30 June 2014 are equal.

For the three months ended 30 June 2015, the diluted earning per share (i) from continuing and discontinued operations; and (ii) from continuing operations would reduce if the Company's outstanding convertible bonds were taken into account, as those convertible bonds had a dilutive effect to the basic earning per share and hence the above potential dilutive shares is assumed in the computation of diluted earning per share,

### (i) From continuing and discontinued operations

The calculations of basic and diluted earning (loss) per share are based on:

	Three months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit (Loss)</b>		
Profit (Loss) attributable to the owners of the Company, used in the basic earning (loss) per share calculation	<b>16,607</b>	(290,619)
Profit (Loss) attributable to the owners of the Company, used in the diluted earning (loss) per share calculation	<b>26,155</b>	(290,619)

**10. EARNING (LOSS) PER SHARE** *(Continued)*

**(i) From continuing and discontinued operations** *(Continued)*

	Three months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	'000	'000
<b>Shares</b>		
Weighted average number of ordinary shares for basic earning (loss) per share calculation	1,115,154	699,957
Weighted average number of ordinary shares for diluted earning (loss) per share calculation	2,909,195	699,957

**(ii) Continuing operations**

The calculations of basic and diluted earning (loss) per share are based on:

	Three months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit (Loss)</b>		
Profit (Loss) attributable to the owners of the Company, used in the basic earning (loss) per share calculation	16,999	(288,445)
Profit (Loss) attributable to the owners of the Company, used in the diluted earning (loss) per share calculation	26,547	(288,445)

	Three months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	'000	'000
<b>Shares</b>		
Weighted average number of ordinary shares for basic earning (loss) per share calculation	1,115,154	699,957
Weighted average number of ordinary shares for diluted earning (loss) per share calculation	2,909,195	699,957

## 11. GOODWILL

	Coal Trading CGU HK\$'000	Short-term Financing CGU HK\$'000	Software CGU HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 April 2014 (Audited)	24,425	–	–	24,425
Additions through acquisitions of subsidiaries	–	707,813	–	707,813
At 30 June 2014 (Unaudited)	24,425	707,813	–	732,238
At 1 April 2015 (Audited)	<b>24,425</b>	<b>711,696</b>	<b>64,512</b>	<b>800,633</b>
Exchange realignments	–	225	20	245
<b>At 30 June 2015 (Unaudited)</b>	<b>24,425</b>	<b>711,921</b>	<b>64,532</b>	<b>800,878</b>
<b>Accumulated impairment losses</b>				
At 1 April 2014 (Audited)	(24,425)	–	–	(24,425)
Impairment losses	–	(262,546)	–	(262,546)
At 30 June 2014 (Unaudited)	(24,425)	(262,546)	–	(286,971)
At 1 April 2015 (Audited)	<b>(24,425)</b>	<b>(539,921)</b>	<b>(7,639)</b>	<b>(571,985)</b>
Exchange realignments	–	(171)	(2)	(173)
<b>At 30 June 2015 (Unaudited)</b>	<b>(24,425)</b>	<b>(540,092)</b>	<b>(7,641)</b>	<b>(572,158)</b>
<b>Net carrying amount</b>				
<b>At 30 June 2015 (Unaudited)</b>	<b>–</b>	<b>171,829</b>	<b>56,891</b>	<b>228,720</b>
At 30 June 2014 (Unaudited)	–	445,267	–	445,267

Goodwill arising in prior years related to the acquisition of equity interest in China Indonesia Friendship Coal Trading Company Limited ("CIFIC", together with its 90%-owned subsidiary, China Energy Trading Company Limited ("China Energy"), are collectively referred to as the "CIFIC Group") and was allocated to the coal trading cash generating unit (the "Coal Trading CGU").

Goodwill attributable to the Coal Trading CGU was fully impaired in prior years.



## 11. GOODWILL (Continued)

Goodwill arising during the year ended 31 March 2015 related to the acquisition of the Prima Finance Group (as defined in the Annual Report) and the Auto-serve Group (as defined in the Annual Report) 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 acquired through business combinations in prior year 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 and the Software CGU. GCA has assessed the acquired businesses’ business value and has taken into consideration the historical performance and the financial performance of the acquired businesses and determined the methodologies and the key valuation parameters and reviewed business assumptions adopted by the management.

### Short-term Financing CGU

During the period ended 30 June 2014, the Group is of the opinion, based on the business value calculation, the Short-term Financing CGU is partially impaired by approximately HK\$262,546,000 as compared with their recoverable amounts as at 30 June 2014 and was charged to profit or loss.

The impairment loss of approximately HK\$262,546,000 is largely due to the increase in the fair value of the Initial Consideration (as defined in the Annual Report) and Contingent Consideration (as defined in the Annual Report). As disclosed in the Circular-VSA (as defined in the circular of the Company dated 30 May 2014), the fair value of the Initial Consideration and the Contingent Consideration as at the valuation date of 30 May 2014 was approximately HK\$744,401,000 and HK\$52,545,000 respectively. The market price of shares of the Company has increased since 30 May 2014 and up to 25 June 2014 (the completion date of the acquisition, the “Completion Date”). The fair value of the Initial Consideration and the Contingent Consideration of approximately HK\$1,091,079,000 and approximately HK\$83,356,000, respectively, at the Completion Date, was estimated by GCA, which has increased as a result of such increase in the share price of the Company, which in turn has resulted in a substantial amount of goodwill recognised in connection with the acquisition of the Prima Finance Group.

During the Period, the recoverable amount of the Short-term Financing CGU exceeded its carrying amount and hence the goodwill allocated to the Short-term Financing CGU was not regarded as impaired.

## 11. GOODWILL (Continued)

### Software CGU

During the Period, in light that the Software CGU is operated satisfactorily with the recoverable amount of the Software CGU exceeded its carrying amount, no impairment loss was considered necessarily.

The recoverable amounts of the Short-term Financing CGU and the Software CGU have been determined from fair-value-less-cost-of-disposal based on cash flows projection according to the financial budgets approved by the management covering a 10-year period and a 5-year period for the Short-term Financing CGU and the Software CGU, respectively, and are extrapolated 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.

Key assumptions used for business value calculations are as follow:

	Three months ended 30 June	
	2015	2014
<b>Short-term Financing CGU</b>		
Effective interest rates	9.0% – 21.6%	19.8% – 38.6%
Perpetual growth rate	3%	3%
Post-tax discount rate per annum	13.59%	14.05%
<b>Software CGU</b>		
Annual revenue growth rate on various service lines	10.0% – 120.5%	N/A
Perpetual growth rate	3%	N/A
Post-tax discount rate per annum	33.98%	N/A

## 12. CONTINGENT CONSIDERATIONS

For the three months ended 30 June 2014, fair value loss on contingent consideration – convertible bonds of approximately HK\$18,767,000 was the result of the increase in fair value of earn-out consideration from HK\$83,356,000 on the completion date of acquisition of Prima Finance Group to HK\$102,123,000 on 30 June 2014.

During the three months ended 30 June 2015, the fair value gain on contingent consideration – consideration shares of approximately HK\$11,250,000 was attributed to the fair value measurement of contingent consideration – consideration shares of which is 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.

## 13. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 14 July 2015, the Group entered into a conditional sale and purchase agreement (the "**Conditional Star Coal Agreement**") with an independent third party vendor in relation to disposal of (i) the entire equity interest in Star Coal International Investment Company Limited ("**Star Coal**") and its subsidiaries (the "**Star Coal Disposal Group**") and (ii) the shareholder's loan owing by Star Coal to the Group, at an aggregate cash consideration of HK\$54,000,000. Upon completion, the Company will cease to have any equity interests in the Star Coal Disposal Group.

Further details of the proposed disposal are set out in the Company's announcement and circular dated 14 July 2015 and 6 August 2015 respectively. The proposed disposal has not been completed as at the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

During the period, the Group is principally engaged in (i) short-term financing services in the PRC and Hong Kong; (ii) business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC; (iii) business of coal trading between the PRC and Indonesia; and (iv) property investments in Hong Kong.

The Group recorded total turnover of approximately Hong Kong dollar (“**HK\$**”) 57,752,000 (2014: approximately HK\$21,104,000) from continuing operations for the Period representing an increase of approximately HK\$36,648,000 over the corresponding period. The short-term financing services business and development and sales of enterprise software business are the new businesses to the Group which generated additional turnover of approximately HK\$36,580,000 (2014: approximately HK\$1,011,000) and approximately HK\$3,590,000 (2014: HK\$Nil) respectively. Since the new businesses have been acquired, the gross profit of the Group was improved to approximately HK\$40,593,000 in the Period (2014: approximately HK\$1,953,000).

The selling and distribution costs for the Period from continuing operations was similar to the last corresponding period of approximately HK\$171,000 (2014: approximately HK\$171,000), which were arising from the coal trading business.

The administrative and other expenses for the Period from continuing operations increased by approximately HK\$8,940,000 to approximately HK\$18,301,000 (2014: approximately HK\$9,361,000) was mainly caused by the new acquired businesses of short-term financing services and development and sales of enterprise software business for the Period.

As announced by the Company on 3 August 2015, the significant increase of profit attributable to owners of the Company for the Period by approximately HK\$307,226,000 to approximately HK\$16,607,000 (2014: a substantial loss of approximately HK\$290,619,000) was mainly attributable to (i) no impairment loss on goodwill and fair value loss on contingent consideration were recorded for the Period, while losses of approximately HK\$262,546,000 and approximately HK\$18,767,000 were recorded respectively in the same period last year; and (ii) increase in revenue from the short-term financing services business, acquired on 25 June 2014, due to revenue of this segment for a full 3-month period was incorporated into the Group’s financial results for the Period, while revenue of this segment for a 5-day period of approximately HK\$1,011,000 was recorded in the same period last year.

### Short-term Financing Services

The Group has recorded losses for the last five consecutive financial years. For the two years ended 31 March 2013 and 2014, the Group recorded consolidated losses of approximately HK\$25,271,000 and approximately HK\$61,646,000 respectively. In view of the unsatisfactory performance of the Group and as part of the business plan as stated in the annual report of the Company for the year ended 31 March 2014, the Group has been exploring and evaluating new businesses and investment opportunities which could be of good potential and/or long-term benefits to the Group and the shareholders.

To this end, the Company has identified the Prima Finance Group as an appropriate acquisition target to the Group and the Directors are of the view that the acquisition would allow the Group to diversify into a new line of business with significant growth potential. Since the Completion Date, the Group has extended its reach into the field of short-term financing services in the PRC, making a strategic long-term investment of the Group. Details are set out in the Company's announcement dated 25 June 2014 (the "Announcement-VSA Completion") and the Company's circular dated 30 May 2014 (the "Circular-VSA").

During the Period, the turnover of short-term financing services business was approximately HK\$36,580,000 (2014: approximately HK\$1,011,000). The segment result of the short-term financing services recorded a profit of approximately HK\$27,666,000 (2014: approximately HK\$261,643,000 segment loss). The significant increase in revenue and segment profit for the Period when compared with corresponding period was mainly attributable to the same reasons as aforementioned in the business and financial review section which related to the significant increase of profit attributable to the owners of the Company for the Period.

### Normalised reportable segment results – Short-term Financing Services

To better present the actual operating results by adding back the non-cash impairment loss on goodwill of approximately HK\$262,546,000 for the period ended 30 June 2014, the segment loss has to be adjusted upward from approximately HK\$261,643,000, under the best estimate by management, to a normalised profit of the short-term financing services for the period ended 30 June 2014 of approximately HK\$903,000. There is no such impairment loss on goodwill being recorded during the Period.

	Period ended 30 June 2015 HK\$'000	Period ended 30 June 2014 HK\$'000
<b>The segmental profit (loss) – Short-term Financing Services</b>	27,666	(261,643)
Add back: Impairment loss on goodwill	–	262,546
<b>Underlying earnings before tax – Short-term Financing Services</b>	<b>27,666</b>	<b>903</b>

### Development and sales of Enterprise Software Business

On 13 March 2015, the acquisition of Auto-serve Group was completed. Since then, the Group has entered into the business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. During the Period, the turnover of development and sales of enterprise software business was approximately HK\$3,590,000. The segment result recorded a profit of approximately HK\$520,000.

### Coal Trading

During the Period, turnover and reportable segment profit of coal trading business have decreased by approximately HK\$2,511,000 to approximately HK\$17,582,000 (2014: approximately HK\$20,093,000) and approximately HK\$15,000 to approximately HK\$940,000 (2014: approximately HK\$955,000) which was caused by the reduction in selling price per metric tonne of coal sold, however the Group was able to maintain its gross profit margin.

In view of the coal trading business has tied up huge finance resources of the Group, yet it was loss making for the two financial years ended 31 March 2014 and 2015 and this may not be improved in the near future due to the downward trend of the selling price per metric tonne of coal sold, the Board considered the disposal to be a good opportunity for the Group to realise the investment and allow the Group to devote more time and resources in developing other existing business of the Group.

On 14 July 2015, the Group has entered into a Conditional Star Coal Agreement with an independent third party vendor in relation to the Star Coal Disposal (details of which are set out in the section headed "Significant Events After The Reporting Period" below). Upon completion, the Company will cease to have any equity interests in the Star Coal Disposal Group. The proposed disposal has not been completed as at the date of this report.

### **Property Investment**

The property was vacant during the Period and it had generated rental income of approximately HK\$885,000 during the period ended 30 June 2014. The segment result recorded a loss of approximately HK\$392,000 (2014: approximately HK\$2,174,000) due to the property remained vacant during the Period.

On 9 June 2015, the Group has entered into an agreement with an independent third party to dispose the entire equity interest and shareholder's loan of Foremost Star and its subsidiaries ("**Foremost Star Disposal Group**"), which specialises in property investment, details of which are set out in the section "Significant Events and Material Transactions" below. No significant fair value change in the investment property as indirectly owned by Foremost Star is recognised for the Period (three months ended 30 June 2014: fair value loss of HK\$3,000,000). The disposal has been completed on 10 July 2015 and upon the completion, the Foremost Star Disposal Group has ceased to be a subsidiary of the Group.

## **SIGNIFICANT EVENTS AND MATERIAL TRANSACTIONS**

### **(i) Subscription of new shares under existing general mandate**

On 12 June 2015, the Group has entered into a subscription agreement ("**Subscription Agreement**") with Premier Business Limited ("**Premier**") pursuant to which Premier had conditionally agreed to subscribe for, and the Company has agreed to allot and issue, 29,270,000 shares in aggregate (the "**Subscription Shares**") at the subscription price (the "**Subscription Price**") of HK\$0.41 per share.

The Subscription Price represents (i) a discount of approximately 10.87% to the closing price HK\$0.46 per share as quoted on the Stock Exchange on 12 June 2015, and (ii) a discount of approximately 12.02% over the average closing price of approximately HK\$0.466 per share as quoted on the Stock Exchange for the last five consecutive trading days of the share immediately prior to the date of the Subscription Agreement.

On 24 June 2015, 29,270,000 new shares were allotted and issued at HK\$0.41 per share. The net proceeds from the subscription were approximately HK\$11,870,000 of which approximately HK\$320,000 had been used for the payment of interest which due on 25 June 2015 for the promissory notes in principal amount of HK\$4,000,000 and remaining net proceeds, which was expected to be used as the Group's general working capital, has not yet been utilised as at the reporting date.

Further details are set out in the Company's announcements dated 12 June 2015 and 24 June 2015 respectively.

**(ii) Discloseable transaction in relation to the disposal of the entire equity interest and shareholder's loan of Foremost Star**

On 9 June 2015, the Group had, through its indirect wholly-owned subsidiary, the Vendor entered into a disposal agreement with the Purchaser, a company incorporated in Samoa with limited liability. Pursuant to the Disposal Agreement, the assets to be disposed of by the Vendor are the Sale Shares and Sale Loan. The Sale Shares represent 50,000 ordinary shares of US\$1.00 each, being the entire issued share capital of Foremost Star, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company prior to the Completion which through its wholly-owned subsidiary carried out all of the Group's property investments operation. The Sale Loan represents the shareholder's loan, owing by the Foremost Star to the Vendor at completion, which as at the date of the Disposal Agreement amounted to approximately HK\$26,100,000.

The consideration for the disposal of HK\$52,000,000 was settled by the Purchaser in cash at Completion, which took place on 10 July 2015.

No significant fair value change in the investment property as indirectly owned by Foremost Star is recognised for the Period (three months ended 30 June 2014: fair value loss of HK\$3,000,000).

The Foremost Star Disposal has been completed on 10 July 2015. Further details are set out in the Company's announcements dated 9 June 2015 and 10 July 2015 respectively.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

### **Major transaction in relation to the disposal of the entire equity interest and shareholder's loan of Star Coal**

On 14 July 2015, the Group entered into a Conditional Star Coal Agreement with an independent third party vendor in relation to disposal of (i) the entire equity interest in Star Coal Disposal Group and (ii) the shareholder's loan owing by Star Coal to the Group, at an aggregate cash consideration of HK\$54,000,000. Upon completion, the Company will cease to have any equity interests in the Star Coal Disposal Group.

The Star Coal Disposal has not been completed as at the date of this announcement. Completion of the transaction is subject to the conditions precedent have been fulfilled or waived on or before 30 September 2015.

Details of the Star Coal Disposal are set out in the announcement and the circular of the Company dated 14 July 2015 and 6 August 2015 respectively.

### **Prospects**

Looking ahead, the Group is well-positioned to capitalise on the potential market growth for the short-term financing services and development and sales of enterprise software businesses in the PRC, due to the encouragement from the PRC government to the industry and therefore, the Group is still optimistic about the development of the short-term financing services business and its related business in the PRC, regardless the recent continuous reduction in the benchmark lending rate and the lowering of reserve requirement ratio as announced by the PRC which are expected to have a negative impact on the Prima Finance Group's revenue and growth rate in short run. The implementation of business plan of the Prima Finance Group and Auto-serve Group catering for the needs of the customers as well as the growth and prospects of the businesses of the Prima Finance Group and Auto-serve Group. At the same time, our strategy on business diversification remains. The Group will also consider to expand its business further in short-term financing services while continuously seeking potential investment opportunities so as to maximise the returns for the shareholders of the Company in a prudent and pragmatic manner.

## 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 2015, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and 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, were as follows:

### Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares ("Shares") held	Approximate percentage of shareholding in the Company
Mr. Wong Wai Sing ( <i>Note</i> ) ("Mr. Wong")	Beneficial owner	36,400	0.003
	Interest in a controlled corporation ( <i>Note</i> )	3,075,676	0.266

*Note: Mr. Wong Wai Sing is the Vice-chairman of the Company and an executive Director. Out of the 3,075,676 Shares, 75,676 Shares are held by Ming Kei International Holding Company Limited, a company which is wholly and beneficially owned by Mr. Wong, and 3,000,000 Shares are held by Twin Star Global Limited, a company which is 50% owned by Mr. Wong. Accordingly, he is deemed to be interested in the aggregate of 3,075,676 Shares held by Ming Kei International Holding Company Limited and Twin Star Global Limited.*

Save for those disclosed above, as at 30 June 2015, 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 SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the Stock Exchange pursuant to the Model Code.



## 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 2015, 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 <i>(Note 5)</i>
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited <i>(Note 1)</i>	1,384,571,429	-	1,384,571,429	119.92
Mr. Dai Di <i>(Note 1)</i>	-	1,384,571,429	1,384,571,429	119.92
Time Prestige Holdings Limited <i>(Note 2)</i>	161,142,857	-	161,142,857	13.96
Mr. Dai Hao <i>(Notes 2 and 3)</i>	-	563,999,999	563,999,999	48.85
Bustling Capital Limited <i>(Note 3)</i>	402,857,142	-	402,857,142	34.89
Ms. Jin Yu <i>(Notes 2 and 3)</i>	-	563,999,999	563,999,999	48.85
Silver Palm Limited <i>(Note 4)</i>	71,428,571	-	71,428,571	6.19
Mr. Wang Jia Sheng <i>(Note 4)</i>	-	71,428,571	71,428,571	6.19

#### 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 2015 (i.e. 1,154,605,562 Shares).

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company 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 and or any Associated Corporation” above) who, as at 30 June 2015, 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 officer including independent non-executive Directors, employees of the Group, customers of the Group, consultants, advisors, managers, officers or entity that provides research, development or of other technological support to the Group.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the Period. As at 30 June 2015, there was no outstanding share option under the Scheme.

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of the Shares, or debentures of the Company or any other body corporate.

## **INTERESTS IN A COMPETING BUSINESS**

As at 30 June 2015, 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) has engaged in any business that competes or might compete with the business of the Group, or have any other conflict of interests 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 Period.

## **CORPORATE GOVERNANCE PRACTICES**

Throughout the Period, the Company had been 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 deviations:

### **CODE PROVISION A.2.1**

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (the “**CEO**”) should be separate and should not be performed by the same individual. Since 1 January 2015, Mr. Han Jianli, the CEO; has also taken up the role as the chairman as well as the CEO of the Company. Given the size and that the Company and the Group’s current business operations and administration has been relatively stable since 2015, the Board is justified that the current structure is able to effectively discharge the duties of both chairman and CEO. However, going forward, the Board will review from time to time the need to separate the role of the chairman and the CEO if the situation warrants it.

## CODE PROVISION A.4.1

Code Provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

## DEVIATION

Non-executive Directors were not appointed for a fixed term. The bye-laws (the “**Bye-laws**”) of the Company stipulate that every Director (including executive or non-executive directors) shall be subject to retirement for re-election at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code.

## CODE PROVISION A.6.7

Code provision A.6.7 of the CG Code stipulates that the independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

## DEVIATION

Mr. Chen Yihua and Mr. Du Hui, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 31 July 2015 as they had other important business engagement.

## 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 no less exacting than the Rules 5.48 to 5.67 (the “**Model Code**”) of the GEM Listing Rules. The Company had made specific enquiries 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 Period.

## AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the 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. Han Jianli**  
*Chairman and Executive Director*

Hong Kong, 10 August 2015

*As at the date of this report, the executive Directors are Mr. Han Jianli and Mr. Wong Wai Sing, and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Chen Yihua and Mr. Du Hui.*