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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)**

### **PROFIT WARNING**

This announcement is made by Capital Finance Holdings Limited (the “**Company**”) pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571).

References are made to the circular of the Company dated 30 May 2014 (the “**Circular**”) and the announcements of the Company dated 13 and 23 January 2015 (the “**Announcement**”) in relation to, among others, the acquisition of the entire equity interests in and shareholder’s loans to Prima Finance Holdings Limited (“**Prima Finance**”) (the “**Prima Acquisition**”) and the acquisition of the entire equity interest in Beijing Auto-serve Software Company Limited\* and the entire issued share capital of Vibrant Youth Limited (the “**Auto-serve Acquisition**”) respectively. Capitalised terms used herein shall have the same meanings as defined in the Circular and the Announcement unless the context requires otherwise.

The Board wishes to inform the Shareholders and potential investors that the Group is expected to record a substantial loss (the “**Substantial Loss**”) for the year ended 31 March 2015 as compared to the loss for the year ended 31 March 2014.

Based on the information currently available to the Group and preliminary review of the unaudited consolidated financial information of the Group for the year ended 31 March 2015, the Substantial Loss is mainly attributable to:

- (i) fair value loss on contingent considerations of approximately HK\$387 million, of which approximately HK\$398 million mainly arose from the fulfilment of profit

\* *For identification purpose only*

guarantee in relation to the Prima Acquisition as reported and disclosed in the Company's third quarterly report 2014/15 and approximately HK\$11 million is partially offset by the non-cash fair value gain on the Earn Out Consideration in relation to the Auto-serve Acquisition which mainly arose as a result of the decrease in the Company's share price as at the reporting date which led to a decrease in the fair value of the Earn Out Consideration Shares;

- (ii) non-cash impairment loss on goodwill arising from the Prima Acquisition of approximately HK\$538.5 million, of which approximately HK\$262.6 million is mainly as a result of the increase in the Company's share price which led to an increase in the fair value of the Initial Consideration and contingent Consideration (comprising the consideration shares and Convertible Bonds issued by the Company and the contingent convertible bonds which may be issued by the Company) as at the date of completion of the Prima Acquisition on 25 June 2014 as reported and disclosed in the Company's third quarterly report 2014/15; and approximately HK\$275.9 million is mainly as a result of deterioration in the equity value of Prima Finance. The reduction in the equity value of Prima Finance is mainly due to the recent 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 Prima Finance revenue and growth rate;
- (iii) non-cash impairment loss on goodwill arising from the Auto-serve Acquisition of approximately HK\$7.6 million, which is mainly as a result of the increase in the Company's share price which led to an increase in the fair value of the Consideration Shares as at the date of completion of the Auto-serve Acquisition on 13 March 2015; and
- (iv) non-cash fair value loss on an investment property of approximately HK\$51 million, of which approximately HK\$41 million was reported and disclosed in the Company's third quarterly report 2014/15.

The effective interest on the Convertible Bonds and Promissory Notes issued by the Company, which was accounted as finance costs, is also a cause of the Substantial Loss for the year ended 31 March 2015.

Shareholders and investors are reminded that apart from the HK\$50 million cash and Promissory Notes in principal amount of HK\$50 million payable to Exuberant Global included in the calculation of fair value loss on contingent consideration, the abovementioned impairment and fair value losses are non-cash in nature and do not have any impact on the operating cash flows of the Group and the Board remains positive on the prospects of the Group.

**The information contained in this announcement is only based on information currently available and the preliminary review by the Board. Shareholders and potential investors are therefore, advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Capital Finance Holdings Limited**  
**Mr. Han Jianli**  
*Chairman and Executive Director*

Hong Kong, 22 May 2015

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 herein or this announcement misleading.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least seven days from the date of its posting and on the website of the Company at <http://www.capitalfinance.hk>.*