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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL RESULTS

The board (the "Board") of Directors of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2015.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**200,747**	90,159
Cost of sales		**(71,604)**	(82,305)
Gross profit		**129,143**	7,854
Other income, and other gains and losses, net	*3*	**3,248**	1,707
Selling and distribution costs		**(684)**	(684)
Administrative and other expenses		**(58,485)**	(60,289)
Gain on disposal of subsidiaries		**11,515**	–
Fair value gain on contingent consideration – consideration shares		**11,250**	–
Fair value loss on contingent consideration		**(398,496)**	–
Loss on early redemption of promissory notes		**(1,619)**	–
Fair value loss on an investment property	*9*	**(51,000)**	–
Impairment loss on goodwill	*11*	**(546,085)**	–
Impairment loss on intangible assets	*10*	**(479)**	(11,138)
Impairment loss on trade receivables	*13*	**(12,116)**	–
Reversal of impairment loss on loans to customers	*12*	**1,702**	–
Finance costs	*5*	**(26,220)**	–
Loss before income tax	*5*	**(938,326)**	(62,550)
Income tax expense/credit	*6*	**(20,675)**	904
Loss for the year		**(959,001)**	(61,646)
Attributable to:			
Owners of the Company		**(959,988)**	(61,057)
Non-controlling interests		**987**	(589)
		(959,001)	(61,646)
Loss per share attributable to owners of the Company	*8*		
Basic (Hong Kong cents)		**(106.49)**	(9.59)
Diluted (Hong Kong cents)		**(106.49)**	(9.59)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(959,001)**	(61,646)
Other comprehensive income for the year:		
Item that has been reclassified to profit or loss:		
Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	**(1,356)**	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**4,906**	157
Total other comprehensive income for the year, net of tax	**3,550**	157
Total comprehensive income for the year	**(955,451)**	(61,489)
Attributable to:		
Owners of the Company	**(956,533)**	(60,898)
Non-controlling interests	**1,082**	(591)
	(955,451)	(61,489)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**3,319**	10,157
Investment property	*9*	**50,000**	101,000
Intangible assets	*10*	**223,435**	36,287
Goodwill	*11*	**228,648**	–
Available-for-sale financial assets		**4,426**	–
Deferred tax assets		**3,536**	–
Total non-current assets		**513,364**	147,444
Current assets			
Loans to customers	*12*	**428,304**	–
Trade receivables	*13*	**37,696**	43,779
Refundable deposits		**19,386**	27,192
Prepayments, deposits and other receivables		**10,507**	10,255
Tax recoverable		**–**	84
Cash and cash equivalents		**48,721**	1,381
Total current assets		**544,614**	82,691
Current liabilities			
Trade payables	*14*	**34,806**	33,779
Accrued expenses, other payables and deposits received		**14,668**	17,297
Amount due to a shareholder		**50,000**	–
Amount due to a non-controlling owner of a subsidiary		**1,950**	1,950
Amount due to a related company		**–**	60
Tax payable		**7,563**	251
Interest-bearing borrowings		**43,113**	–
Current portion of contingent consideration – consideration shares		**14,285**	–
Total current liabilities		**166,385**	53,337
Net current assets		**378,229**	29,354
Total assets less current liabilities		**891,593**	176,798

	As at 31 March	
	2015	2014
	HK$'000	*HK$'000*
Non-current liabilities		
Promissory notes	**49,808**	–
Convertible bonds – liability component	**471,509**	–
Contingent consideration – consideration shares	**48,215**	–
Deferred tax liabilities	**52,815**	5,987
Total non-current liabilities	**622,347**	5,987
Net assets	**269,246**	170,811
Capital and reserves		
Issued capital	**10,311**	6,559
Reserves	**238,837**	160,195
Equity attributable to owners of the Company	**249,148**	166,754
Non-controlling interests	**20,098**	4,057
Total equity	**269,246**	170,811

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Reserves									
	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*	Equity attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2013	5,045	192,038	131,109	120,794	1,910	–	–	(251,054)	199,842	4,648	204,490
Loss for the year	–	–	–	–	–	–	–	(61,057)	(61,057)	(589)	(61,646)
Other comprehensive income											
Items that may be reclassified subsequently to profit or loss											
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	159	–	–	–	159	(2)	157
Total other comprehensive income for the year	–	–	–	–	159	–	–	–	159	(2)	157
Total comprehensive income for the year	–	–	–	–	159	–	–	(61,057)	(60,898)	(591)	(61,489)
Transactions with owners											
Contribution and distribution											
Rights issue	1,514	26,296	–	–	–	–	–	–	27,810	–	27,810
Total transactions with owners	1,514	26,296	–	–	–	–	–	–	27,810	–	27,810
At 31 March 2014	6,559	218,334	131,109	120,794	2,069	–	–	(312,111)	166,754	4,057	170,811

		Reserves									
	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	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2014	6,559	218,334	131,109	120,794	2,069	-	-	(312,111)	166,754	4,057	170,811
Loss for the year	-	-	-	-	-	-	-	(959,988)	(959,988)	987	(959,001)
Other comprehensive income											
Item that has been reclassified to profit or loss											
Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	-	-	-	-	(1,356)	-	-	-	(1,356)	-	(1,356)
Item that maybe reclassified subsequently to profit or loss											
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	4,811	-	-	-	4,811	95	4,906
Total other comprehensive income for the year	-	-	-	-	3,455	-	-	-	3,455	95	3,550
Total comprehensive income for the year	-	-	-	-	3,455	-	-	(959,988)	(956,533)	1,082	(955,451)
Transfer to statutory reserve	-	-	-	-	-	-	8,994	(8,994)	-	-	-
Transactions with owners											
Contributions and distributions											
Issue of new shares on the May 2014 placement	445	19,233	-	-	-	-	-	-	19,678	-	19,678
Issue of new shares on acquisition of subsidiaries – Prima Finance Group*	2,680	182,240	-	-	-	-	-	-	184,920	-	184,920
Issue of new shares on acquisition of subsidiaries – Auto-serve Group*	109	6,304	-	-	-	-	-	-	6,413	-	6,413
Issue of new shares on the March 2015 placement	518	28,570	-	-	-	-	-	-	29,088	-	29,088
Issue of convertible bonds on acquisition of subsidiaries – equity component	-	-	-	-	-	798,828	-	-	798,828	-	798,828
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,417)	(4,417)
	3,752	236,347	-	-	-	798,828	-	-	1,038,927	(4,417)	1,034,510
Changes in ownership interests											
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	19,376	19,376
Total transactions with owners	3,752	236,347	-	-	-	798,828	-	-	1,038,927	14,959	1,053,886
At 31 March 2015	10,311	454,681	131,109	120,794	5,524	798,828	8,994	(1,281,093)	249,148	20,098	269,246

** As defined in Note 11*

Notes:

1. ORGANISATION AND OPERATIONS

Capital Finance Holdings Limited (the "Company") (formerly known as "Ming Kei Holdings Limited") 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 HM11, Bermuda and its principal place of business has been changed from Unit 01, 3/F., Wheelock House, 20 Pedder Street, Central, Hong Kong to Suites 3509-10, 35/F., Tower 6, the Gateway, Harbour City, Kowloon, Hong Kong during the year.

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"); (ii) property investments in Hong Kong; (iii) business of coal trading between the PRC and Indonesia; and (iv) business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC, further details of which are set out in Note 4.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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

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

Adoption of new/revised HKFRSs

Amendments to HKAS 32: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have an impact on the consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of impaired assets is based on fair value less costs of disposal. The required additional disclosures have been adopted in the consolidated financial statements, as appropriate.

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 19 (2011)	Defined Benefit Plans – Employee Contributions [1]
Various HKFRSs	Annual Improvements Project – 2010-2012 Cycle [2]
Various HKFRSs	Annual Improvements Project – 2011-2013 Cycle [2]
Amendments to HKAS 1	Disclosure Initiative [3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [3]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements [3]
Amendments to HKAS 28 (2011) and HKFRS 10	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception [3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [3]
HKFRS 14	Regulatory Deferral Accounts [3]
Various HKFRSs	Annual Improvements Project – 2012-2014 Cycle [3]
HKFRS 15	Revenue from Contracts with Customers [4]
HKFRS 9 (2014)	Financial Instruments [5]

[1] Effective for annual periods beginning on or after 1 July 2014

[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

[3] Effective for annual periods beginning on or after 1 January 2016

[4] Effective for annual periods beginning on or after 1 January 2017

[5] Effective for annual periods beginning on or after 1 January 2018

The directors of the Company are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3. **TURNOVER, OTHER INCOME, AND OTHER GAINS AND LOSSES, NET**

Turnover is the Group's revenue, which represents the short-term financing services income, net of direct financing costs; sales and development of software and software maintenance service income; invoiced value of goods sold and services rendered, net of rebates and discounts; and rental income. An analysis of the Group's turnover, other income, and other gains and losses, net is as follows:

		2015	**2014**
	Note	***HK$'000***	*HK$'000*
Turnover			
Interest income from loans to customers		**61,997**	–
Financial consultancy income		**61,988**	–
Short-term financing services related expenses	*5*	**(1,396)**	–
Short-term financing services income, net		**122,589**	–
Sales and development of software		**1,007**	–
Sale of goods		**75,381**	86,619
Rental income		**1,770**	3,540
		200,747	90,159
Other income, and other gains and losses, net			
Bank interest income		**1**	2
Gain on dissolution of subsidiaries		**654**	–
Loss on disposal of property, plant and equipment		**(17)**	(179)
Sundry income		**1,491**	480
Other consultancy service income		**1,119**	1,404
		3,248	1,707

4. **SEGMENTAL INFORMATION**

The directors of the Company have been identified as the chief operating decision makers to evaluate the performance of 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. Details of the operating segments are as follows:

(a) The short-term financing services segment comprises pawn loan business, micro-financing business, entrusted loan business and financial consultancy business;

(b) Sales and development 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 comprises the business of coal trading; and

(d) The property investments segment comprises investment in various properties for rental income purposes.

In determining the Group's geographical segments, revenue and results are based on the location in which the customers are located; assets and capital expenditure are attributed to the segments based on the locations of the assets.

(i) Business segments

Year ended 31 March 2015

	Short-term financing services *HK$'000*	Sales and development of software *HK$'000*	Coal trading *HK$'000*	Property investments *HK$'000*	Consolidated *HK$'000*
Segment revenue					
External sales and services and reportable segment revenue	**122,589**	**1,007**	**75,381**	**1,770**	**200,747**
Reportable segment results	**(437,353)**	**(6,546)**	**(9,377)**	**(50,989)**	**(504,265)**
Impairment loss on goodwill	**(538,480)**	**(7,605)**	**–**	**–**	**(546,085)**
Impairment loss on intangible assets	**–**	**–**	**(479)**	**–**	**(479)**
Impairment loss on trade receivables	**–**	**–**	**(12,116)**	**–**	**(12,116)**
Reversal of impairment loss on loans to customers	**1,702**	**–**	**–**	**–**	**1,702**
Fair value loss on an investment property	**–**	**–**	**–**	**(51,000)**	**(51,000)**
Reportable segment assets	**817,893**	**88,882**	**95,452**	**51,175**	**1,053,402**
Reportable segment liabilities	**(89,470)**	**(8,735)**	**(55,208)**	**(28)**	**(153,441)**

Year ended 31 March 2014

	Coal trading *HK$'000*	Property investments *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales and services and reportable segment revenue	86,619	3,540	90,159
Reportable segment results	(6,955)	1,523	(5,432)
Impairment loss on intangible assets	11,138	–	11,138
Reportable segment assets	100,235	102,581	202,816
Reportable segment liabilities	(41,922)	(1,005)	(42,927)

Reconciliation of reportable segment results, assets and liabilities:

	2015 ***HK$'000***	2014 *HK$'000*
Loss before income tax		
Reportable segment loss	**(504,265)**	(5,432)
Interest income on bank deposits	**1**	2
Gain on disposal of subsidiaries	**11,515**	–
Fair value gain on contingent consideration – consideration shares	**11,250**	–
Fair value loss on contingent consideration	**(398,496)**	–
Loss on early redemption of promissory notes	**(1,619)**	–
Unallocated corporate expenses	**(56,712)**	(57,120)
Consolidated loss before income tax	**(938,326)**	(62,550)
Total assets		
Reportable segment assets	**1,053,402**	202,816
Unallocated corporate assets	**4,576**	27,319
Consolidated total assets	**1,057,978**	230,135
Total liabilities		
Reportable segment liabilities	**(153,441)**	(42,927)
Unallocated corporate liabilities	**(635,291)**	(16,397)
Consolidated total liabilities	**(788,732)**	(59,324)

(ii) Geographical segments

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets"):

	Revenue from external customers		**Specified non-current assets**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,770**	3,540	**86,997**	137,757
PRC	**198,977**	86,619	**418,405**	9,687
	200,747	90,159	**505,402**	147,444

(iii) Information about major customers

Revenue from external customers contributed to 10% or more of the Group's revenue is as follows:

Revenue from one (2014: one) customer contributed to 10% or more of the Group's revenue in the amount of approximately HK$75,381,000 (2014: approximately HK$86,619,000) for the year ended 31 March 2015 as included in the above disclosures for coal trading segment revenue.

The customer base in financial services segment is diversified and no customer with whom transactions are 10% or more of the Group's revenue for the year ended 31 March 2015.

Other than as disclosed above, no other revenue from a single customer of the Group accounted for 10% or more of total revenue of the Group for the years presented.

5. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging (crediting) the following:

	Note	**2015**	2014
		HK$'000	*HK$'000*
Finance costs			
Effective interest expenses on			
– convertible bonds		**22,521**	–
– promissory notes		**3,257**	–
Interest on bank borrowings wholly repayable within five years		**442**	–
Interest expense on funds for loans to customers		**1,396**	–
		27,616	–
Less: interest expense included in turnover	*3*	**(1,396)**	–
		26,220	–
Other items			
Staff costs (excluding directors' remuneration)			
Salaries and wages		**9,636**	1,999
Pension scheme contributions		**1,378**	83
		11,014	2,082
Cost of inventories sold		**71,604**	82,305
Auditor's remuneration		**1,420**	448
Direct operating expenses arising on rental-earning investment property		**274**	–
Depreciation of property, plant and equipment		**1,132**	1,693
Amortisation of intangible assets		**61**	–
Write-off of property, plant and equipment		**–**	283
Legal and professional fees related to the acquisition of subsidiaries		**4,293**	19,700
Minimum lease payments under operating leases for land and buildings		**6,895**	6,253

6. INCOME TAX EXPENSE/CREDIT

(a) The amount of income tax expense (credit) in the consolidated income statement represents:

	2015	2014
	HK$'000	*HK$'000*
Current tax		
Hong Kong		
Current tax charge for the year	**527**	924
(Over) Under-provision in respect of prior years	**(251)**	10
Deferred tax credit	**(2,078)**	(1,838)
PRC		
Current tax charge for the year	**22,172**	–
Deferred tax expense	**305**	–
	20,675	(904)

Provision for Hong Kong Profits Tax and PRC Enterprise Income Tax are calculated at 16.5% (2014: 16.5%) and 25% (2014: 25%), respectively, on the estimated assessable profits for the year. 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.

(b) The income tax expense (credit) for the year can be reconciled to the accounting loss before income tax as follows:

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax	**(938,326)**	(62,550)
Tax calculated at the rate of 16.5% (2014: 16.5%)	**(154,823)**	(10,321)
Tax effect of tax rates difference of other jurisdictions	**5,193**	(36)
Utlilisation of previously unrecognised tax losses	**–**	(234)
Tax effect on income not taxable for tax purpose	**(2,170)**	(202)
Tax effect on unused tax losses not recognised and expenses not deductible for taxation purpose	**172,726**	9,879
(Over) Under-provision in respect of prior years	**(251)**	10
Income tax expense (credit) for the year	**20,675**	(904)

7. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2014: HK$Nil).

The directors of the Company do not recommend for payment of a final dividend for the year (2014: HK$Nil).

8. LOSS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculations	**(959,988)**	(61,057)

	Number of shares	
	2015	2014
	'000	*'000*
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share	**901,453**	636,431

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for the year, the conversion of the potential dilutive shares is not assumed in the computation of diluted loss per share for the year. In last year, there is no instrument with potential dilutive shares issued by the Group. Therefore the basic and diluted losses per share for the respective years are equal.

9. INVESTMENT PROPERTY

	2015	2014
	HK$'000	*HK$'000*
Fair value		
At beginning of year	**101,000**	101,000
Change in fair value	**(51,000)**	–
At end of year	**50,000**	101,000

The Group's entire property interest is held under operating leases to earn rentals or capital appreciation purposes which is measured using fair value model and is classified and accounted for as an investment property. The Group's investment property is located in Hong Kong and held under a medium lease term.

The investment property of the Group was revalued on 31 March 2015 by B.I. Appraisals Limited, an independent firm of professional qualified valuers, on an open market basis by comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidence as available in the relevant market. Recent sale price of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age, were used to value the property. The most significant input into this valuation approach is the price per square feet.

The valuation technique was changed from an income approach to a market comparison approach following the vacant possession upon the expiry of the tenancy agreement in October 2014 of the investment property during the year.

The fair value of the investment property as at 31 March 2015 is a level 2 recurring fair value measurement, which uses significant observable inputs in arriving at fair value. During the year ended 31 March 2015, the transfer from level 3 to level 2 was due to the vacant possession upon the expiry of the tenancy agreement in October 2014 and the observable market data became more relevant for the property, except for that, there were no transfers between level 1 and level 2, or transfers into level 3. The Group's policy is to recognise transfer out of level 3 at the date of the event that caused the transfer.

Fair value as at 31 March 2014 was determined using investment method by taking into account the then passing rent and the reversionary income potential estimated with reference to then existing tenancy agreement of the investment property if applicable.

Property	**Location**	**Level**	**Valuation technique**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Industrial Property	Hong Kong	3	Income approach	Monthly rental of HK$301,851	The higher the rental value, the higher the fair value
				Yield of 3.6% per annum	The higher the yield, the lower the fair value

The fair value measurements is based on the highest and best use of the investment property, which does not differ from their actual use.

10. INTANGIBLE ASSETS

	The LOIs	Pawn Licences	Trademarks	Product Licences	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2013 and 31 March 2014	60,000	–	–	–	60,000
Additions through acquisition of subsidiaries	–	167,845	15,841	2,996	186,682
Exchange realignments	–	921	72	13	1,006
At 31 March 2015	60,000	168,766	15,913	3,009	247,688
Accumulated amortisation and impairment losses					
At 1 April 2013	12,575	–	–	–	12,575
Impairment losses	11,138	–	–	–	11,138
At 31 March 2014	23,713	–	–	–	23,713
Amortisation	–	–	–	61	61
Impairment losses	479	–	–	–	479
At 31 March 2015	24,192	–	–	61	24,253
Net carrying amount					
At 31 March 2015	35,808	168,766	15,913	2,948	223,435
At 31 March 2014	36,287	–	–	–	36,287

The LOIs

The LOIs relate to the Coal Trading CGU (as defined in Note 11) and represented two separate legally binding master framework purchase agreements entered into between the CIFC Group (as defined in Note 11) and a customer and a supplier, which were acquired as part of the Group's acquisition of the CIFC 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.

The LOIs are tested for impairment at least annually and are allocated to the Coal Trading CGU for impairment assessment purpose. The recoverable amounts of the Coal Trading CGU as at 31 March 2014 and 2015 were assessed by the directors of the Company by reference to the professional valuation performed by Greater China Appraisal Limited ("GCA"), an independent firm of professional qualified valuer.

The recoverable amount of the Coal Trading CGU as at 31 March 2015 is determined based on a fair-value-less-costs-of-disposal (2014: value-in-use) calculation using a cash flow projection according to the financial budgets approved by the management for the next 3 (2014: 3) years and extrapolates cash flows beyond such projected period with the key assumptions stated below:

Key assumptions used in the cash flow projection are as follows:

	2015	2014
Growth in revenue year-on-year during the projection period	**No growth**	No growth
Pre-tax discount rate per annum	**N/A**	14.79%
Post-tax discount rate per annum	**12.68%**	N/A
Budgeted gross margins	**5.4%**	4.7%
Perpetual growth rate per annum	**2.5%**	2.8%

The basis used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the Coal Trading CGU. The discount rate used reflects specific risks relating to the coal trading industry.

Other information of the fair value measurement of the Coal Trading CGU is set out in Note 11.

For the preparation of the interim financial statements for the six months ended 30 September 2014, the management made an assessment of the recoverable amount of the Coal Trading CGU under the similar approach as above with the following key assumption used in the cash flow projection:

Growth in revenue year-on-year during the projection period	**No growth**
Post-tax discount rate per annum	**12.91%**
Budgeted gross margins	**5.0%**
Perpetual growth rate per annum	**2.5%**

The recoverable amount of the Coal Trading CGU determined using the above basis fell below its carrying amount as at 30 September 2014 by HK$400,000 (31 March 2014: HK$9,300,000), resulting in impairment on the intangible assets representing the LOIs by the amount of approximately HK$479,000 (31 March 2014: HK$11,138,000) which has been charged to profit or loss for the year, and the corresponding decrease in related deferred tax liabilities in the amount of approximately HK$79,000 (31 March 2014: HK$1,838,000). The above impairment losses are mainly attributable to the decrease of growth rate in line with the business environment of the industry.

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, 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 of the Company 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 Licenses 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 of the Company 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.

Impairment testing of the Pawn Licences, the Trademarks and Product Licences

The carrying amounts of the Pawn Licences, the Trademarks and the Product Licences have been included in the impairment assessment of goodwill (as detailed in Note 11) for the respective cash-generating units (the "CGUs"):

Short-term Financing CGU: Pawn Licences

Software CGU: Trademarks and Product Licences

11. GOODWILL

	Coal Trading CGU *HK$'000*	Short-term Financing CGU *HK$'000*	Software CGU *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2013 and 31 March 2014	24,425	–	–	24,425
Additions through acquisitions of subsidiaries	–	707,813	64,221	772,034
Exchange realignments	–	3,883	291	4,174
At 31 March 2015	24,425	711,696	64,512	800,633
Accumulated impairment losses				
At 1 April 2013 and 31 March 2014	(24,425)	–	–	(24,425)
Impairment losses	–	(538,480)	(7,605)	(546,085)
Exchange realignments	–	(1,441)	(34)	(1,475)
At 31 March 2015	(24,425)	(539,921)	(7,639)	(571,985)
Net carrying amount				
At 31 March 2015	–	171,775	56,873	228,648
At 31 March 2014	–	–	–	–

Goodwill arising in prior years related to 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").

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

Goodwill arising in the current year related to the acquisition of Prima Finance Holdings Limited and its subsidiaries (collectively referred as the "Prima Finance Group"), and Vibrant Youth Limited and its subsidiaries and Beijing Auto-serve Software Company Limited (collectively referred to as the "Auto-serve Group") because the consideration 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 sales and development 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 the current 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 of the Company have engaged 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

The Group is of the opinion, based on the business value calculation, the Short-term Financing CGU is partially impaired by approximately HK$538,480,000, represented by an initial impairment loss of approximately HK$262,546,000 and a further impairment loss of approximately HK$275,934,000, which was charged to profit or loss for the year.

The initial 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 Company's circular dated 30 May 2014) and Contingent Consideration (as defined in the Company's circular dated 30 May 2014). As disclosed in the Company's circular 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.

As at 31 March 2015, in light of keen competition from the internet financing sector and 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 revenue and growth rate of the Short-term Financing CGU, 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 further impaired by approximately HK$275,934,000.

Software CGU

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 year.

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 31 March 2015, in light that the Software CGU is operated satisfactorily with the recoverable amount of the Software CGU exceeded its carrying amount, no further impairment loss was considered necessarily.

The recoverable amounts of the Short-term Financing CGU and the Software 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 a 5-year period for the Short-term Financing CGU and the Software CGU, respectively, 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.

Key assumptions used for business values calculation are as follows:

	Short-term Financing CGU	Software CGU
Effective interest rates	9%-22.9%	N/A
Annual revenue growth rate on various service lines	N/A	10.0%-77.2%
Perpetual growth rate	3.0%	3.0%
Post-tax discount rate	14.5%-15.5%	32.3%

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 lives, 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
Coal Trading CGU/ Short-term Financing CGU/ Software 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 during the year.

12. LOANS TO CUSTOMERS

	Note	2015 *HK$'000*	2014 *HK$'000*
Pawn loans		**270,895**	–
Micro-credit loans		**128,975**	–
Entrusted loans		**34,581**	–
Loans to customers, gross		**434,451**	–
Less: Impairment allowances	*12(a)*		
– Individually assessed		**(1,917)**	–
– Collectively assessed		**(4,230)**	–
		(6,147)	–
Loans to customers, net		**428,304**	–

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.

The loans provided to customers bore fixed monthly interest and administrative fee rates ranging from 1% to 4.6% for the year ended 31 March 2015. Loans to customers are all denominated in Renminbi.

(a) Movements of impairment allowances are as follows:

	2015			2014		
	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 year	**–**	**–**	**–**	–	–	–
Additions of allowances from acquisition of subsidiaries	**4,337**	**3,475**	**7,812**	–	–	–
(Reversal of)/Provision for impairment losses (credited) charged to profit or loss	**(2,435)**	**733**	**(1,702)**	–	–	–
Exchange realignments	**15**	**22**	**37**	–	–	–
At the end of the year	**1,917**	**4,230**	**6,147**	–	–	–

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:

	2015	2014
	HK$'000	*HK$'000*
Less than 1 month	**194,171**	–
1 to 3 month(s)	**49,832**	–
4 to 6 months	**78,942**	–
7 to 12 months	**100,391**	–
Over 12 months	**4,968**	–
	428,304	–

Aging analysis of loans to customers (after impairment allowances) prepared based on contractual due date is as follows:

	2015	2014
	HK$'000	*HK$'000*
Not yet past due	**294,621**	–
Less than 1 month past due	**20,910**	–
1 to 3 month(s) past due	**24,791**	–
4 to 6 months past due	**12,915**	–
7 to12 months past due	**71,717**	–
Over 12 months past due	**3,350**	–
	428,304	–

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the end of reporting period based on objective evidence of impairment.

Loans to customers (net) that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Loans to customers (net) that were past due but not impaired relate to borrowing clients that have good track record with the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers/the party who provided guarantees and/or fair value of the collaterals obtained and the balances are still considered fully recoverable.

A summary of the principal of the collateralised and non-collateralised loans to customers (net) at the end of the reporting period is as follows:

	2015	2014
	HK$'000	*HK$'000*
Collateralised	**336,715**	–
Non-collateralised		
– With guarantee	**82,298**	–
– Without guarantee	**9,291**	–
	428,304	–

The fair value of collaterals, as assessed by the management, at loans' inception date is not less than the principal amount of the relevant loans.

13. TRADE RECEIVABLES

		2015	2014
	Note	***HK$'000***	*HK$'000*
Trade receivables from third parties		**49,812**	43,779
Impairment allowances	*13(c)*	**(12,116)**	–
		37,696	43,779

(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:

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**18,058**	20,106
91 to 180 days	**19,069**	20,023
181 to 365 days	**12,551**	3,650
Over 365 days	**134**	–
	49,812	43,779

(b) The Group normally allows an average credit term of 60 to 90 days (2014: 60 to 90 days) to its customers for coal trading business. For certain well-established customers with good repayment history and creditworthiness, the Group allows an average credit period beyond 90 days.

(c) Based on the management's assessment of the aging analysis and the subsequent settlement status of the Group's outstanding trade receivables from an independent third party for the coal trading business, the past settlement patterns and the current credit quality of that debtor together with the latest market conditions of the coal trading industry, the Group recognised an impairment allowance of HK$12,116,000 (2014: HK$Nil) for the year ended 31 March 2015 to reflect the risk on the recoverability of the amount due. The aging analysis of trade receivables, net of impairment allowances, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Not yet past due	**18,058**	20,106
Past due	**19,638**	23,673
	37,696	43,779

Receivables that were neither past due nor impaired related to customers for which there is no recent history of default.

Other than the receivables from the debtor of the coal trading business with impairment loss represented in the above, receivables from other debtors that were past due but not impaired as there has not been a significant change in credit quality and the directors of the Company believe that the balances are still considered fully recoverable. The Group does not hold any collateral over the balances.

14. TRADE PAYABLES

An aging analysis of the trade payables, to an independent third party, of the Group at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**34,545**	18,849
91 to 180 days	**261**	14,930
	34,806	33,779

The trade payables were non-interest bearing and were normally settled on an average term of 60 to 90 days (2014: 60 to 90 days).

15. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 13 April 2015, convertible bonds at a conversion price of HK$0.35 per share with principal value of HK$33,000,000 have been converted into 94,285,713 new ordinary shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Capital Finance Holdings Limited (the "Company") 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"); (ii) property investments in Hong Kong; (iii) business of coal trading between the PRC and Indonesia; and (iv) business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC.

The Group recorded total turnover of approximately Hong Kong dollar ("HK$") 200,747,000 (2014: approximately HK$90,159,000) for the year ended 31 March 2015 representing an increase of approximately HK$110,588,000 as compared with last year. The short-term financing services business and development and sales of enterprise software business are the new businesses to the Group which generated additional income of approximately HK$122,589,000 (2014: Nil) and approximately HK$1,007,000 (2014: Nil) respectively. Since the new businesses have been acquired, the gross profit of the Group was improved to approximately HK$129,143,000 in current year (2014: approximately HK$7,854,000).

The Group has recorded an one-off gain of approximately HK$11,515,000 (2014: Nil) arising from the disposal of Star Trading International Investment Company Limited ("STII") and its subsidiaries (collectively referred as to the "STII Group"), which has been completed on 5 September 2014.

The selling and distribution costs for the year ended 31 March 2015 was similar to the last corresponding year of approximately HK$684,000 (2014: approximately HK$684,000), which were arising from the coal trading business.

The administrative and other expenses for the year ended 31 March 2015 decreased by approximately HK$1,804,000 to approximately HK$58,485,000 (2014: approximately HK$60,289,000), which was mainly due to the payment of legal and professional fees for the acquisition of the short-term financing services business was made in the last corresponding year. Such decrease has been partly offset by inclusion of those expenses arising from the new short-term financing services business for the year ended 31 March 2015.

The substantial loss attributable to the owners of the Company for the year ended 31 March 2015 was approximately HK$959,988,000 (2014: approximately HK$61,057,000) mainly due to:

(i) non-cash impairment loss on goodwill of approximately HK$546,085,000 arising from the acquisition of Prima Finance Holdings Limited ("Prima Finance") and its subsidiaries (collectively referred to as the "Prima Finance Group") and Vibrant Youth Limited and its subsidiaries and Beijing Auto-serve Software Company Limited (collectively referred to as the "Auto-serve Group"), which represents (a) non-cash impairment loss on goodwill arising from the acquisition of Prima Finance of approximately HK$538,480,000, of which approximately HK$262,546,000 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 acquisition of entire equity interests in Prima Finance (the "Prima Acquisition") on 25 June 2014; and approximately HK$275,934,000 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 PRC which are expected to have a negative impact on the Prima Finance's revenue and growth rate; and (b) non-cash impairment loss on goodwill arising from the acquisition of entire equity interests in Auto-serve Group (the "Auto-serve Acquisition") of approximately HK$7,605,000, 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 and contingent consideration shares as at the date of completion of the Auto-serve Acquisition on 13 March 2015;

(ii) fair value loss on contingent considerations of approximately HK$387,246,000, of which approximately HK$398,496,000 mainly arose from the fulfilment of profit guarantee in relation to the Prima Acquisition and approximately HK$11,250,000 is partially offset by the non-cash fair value gain on the contingent 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 contingent consideration shares;

(iii) non-cash fair value loss on an investment property of approximately HK$51,000,000 (2014: Nil);

(iv) the effective interest expenses of approximately HK$25,778,000 (2014: Nil) on convertible bonds and promissory notes issued during the year ended 31 March 2015;

(v) impairment loss on trade receivables for the coal trading business of approximately HK$12,116,000 (2014: Nil); and

(vi) settlement loss on early redemption of promissory notes of approximately HK$1,619,000 (2014: Nil).

The above-mentioned impairment and fair value losses are non-cash in nature and do not have any impact on the operating cash flows of the Group.

Coal Trading Business

Since the financial year 2013/2014, there was a reduction in selling price per metric tonne of coal sold, but it did not have significant impact to the cash flows or the operating model of the coal trading business pursuant to pages 18 and 19 of the circular of the Company dated 14 October 2010 (the "Indonesia Circular") , in particular maintaining a positive price gap between the purchase price and the selling price subject to the bargaining power of the Group against the customer and the supplier in each transaction and the fluctuation of the international coal price. The price negotiation will continue until each of the parties is satisfied and the Group is able to obtain a positive price gap. Given the master framework purchase agreement (the "LOIs") separately signed with the customers and suppliers to sell and purchase 30,000 metric tonnes (subject to (+/-) 10% fluctuation) of Indonesian coal per month, and will be renewed automatically upon expiration with same trading terms and conditions, the coal trading business will continue and provide a stable and regular source of income to the Group.

The decrease of turnover and increment of reportable segment loss of coal trading business by approximately HK$11,238,000 to approximately HK$75,381,000 (2014: approximately HK$86,619,000) and approximately HK$2,422,000 to approximately HK$9,377,000 (2014: approximately HK$6,955,000) was mainly due to the reduction in selling price per metric tonne of coal sold during the year and impairment loss on long outstanding trade receivables. In current year, the Group was able to maintain its gross profit margin and the Group will continue monitoring the selling price of steam coal as well as the controls over costs and related expenses towards the coal trading operations to ensure its continued profitability.

Property Investments

The property investments segment generated a rental income of HK$1,770,000 (2014: HK$3,540,000). Although the segment results recorded a loss of approximately HK$50,989,000 due to non-cash fair value loss on investment property (the "FV Loss-IP") of HK$51,000,000 (2014: Nil), the reportable segment profit before the FV Loss-IP was approximately HK$11,000.

The investment property located in Tuen Mun was valued at HK$50,000,000 on 31 March 2015 (31 March 2014: HK$101,000,000) in accordance with the valuation performed by an independent valuer. The decrease in valuation was mainly due to the result of oversupply of industrial premises in the area and the expiry of the tenancy agreement in October 2014. The FV Loss-IP is non-cash in nature and has no impact on the operating cash flows of the Group.

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 loss for the year from the continuing operations of approximately HK$25,207,000 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 of the Company ("Shareholders").

To this end, the Company has identified Prima Finance Group as an appropriate acquisition target to the Group and the Directors are of the view that the Prima Acquisition would allow the Group to diversify into a new line of business with significant growth potential. Since the completion date of the Prima Acquisition (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 current financial year, the turnover of short-term financing services business was approximately HK$122,589,000. Although the segment results of the short-term financing services recorded a loss (the "Segmental Loss") of approximately HK$437,353,000 due to the impairment loss on goodwill of approximately HK$538,480,000. Excluding both the impairment loss on goodwill and the non-cash reversal of impairment (the "Reversal of Impairment-Loans to Customers") on loan to customers of approximately HK$1,702,000, the reportable segment profit before the impairment loss on goodwill and Reversal of Impairment-Loans to Customers was approximately HK$99,425,000. The impairment loss on goodwill and Reversal of Impairment-Loans to Customers 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 business of short-term financing services.

Details of the impairment loss on goodwill in respect of Prima Acquisition are set out in page 29 of this results announcement.

The impairment loss on goodwill was largely due to the increase in the fair value of initial consideration and contingent consideration. As disclosed in the Circular-VSA, the fair value of the initial consideration and 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 had increased since 30 May 2014 and up to the Completion Date. The fair value of the initial consideration and contingent consideration of approximately HK$1,091,079,000 and approximately HK$83,356,000 respectively at the completion date of Prima Acquisition as estimated by Greater China Appraisal Limited ("GCA"), which has increased as a result of such increase in the market price of shares of the Company, which in turn has resulted in a substantial amount of goodwill in connection with the Prima Acquisition.

Sales and Development of Enterprise Software Business

On 13 March 2015, the acquisition of Auto-serve Group was completed. Since then, the Group enters into a business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. Details of the impairment loss on goodwill in respect of Auto-serve Acquisition are set out in page 29 of this results announcement.

Normalised reportable segment results

To better present the actual operating results by adding back the non-cash impairment loss on goodwill for Prima Acquisition and Auto-serve Acquisition and deducting the Reversal of Impairment-Loans to Customers of approximately HK$546,085,000 and approximately of HK$1,702,000 respectively, the segmental loss for the year ended 31 March 2015 has to be adjusted upward from approximately HK$443,899,000, under the best estimate by management, to a normalised profit of the short-term financing services and sales and development of enterprise software business for the year ended 31 March 2015 of approximately HK$100,484,000.

	For the year ended 31 March 2015		
	Short-term financing services *HK$'000*	**Sales and development of software** *HK$'000*	**Total** *HK$'000*
The segmental loss	(437,353)	(6,546)	(443,899)
Add back: Impairment loss on goodwill	538,480	7,605	546,085
Less: Reversal of Impairment – Loans to Customers	(1,702)	–	(1,702)
Underlying earnings before tax	99,425	1,059	100,484

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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group closely monitors its liquidity position by constant reviewing its cash forecast. The Group also aims to achieve lowest possible cost of funding for all of its operations. As at 31 March 2015, the Group has total bank borrowings of HK$43,113,000 (31 March 2014: Nil) comprising of (i) a long-term bank borrowing of approximately HK$12,133,000 ("HK$ Loan"); and (ii) a short-term bank borrowing of approximately HK$30,980,000 denominated in Renminibi ("RMB") (RMB24,500,000) ("RMB Loan"). All the bank borrowings were obtained on secured basis. The Group will try to obtain future financing on an unsecured basis, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the cost of funding.

As at 31 March 2015, the Group had cash and cash equivalents of approximately HK$48,721,000 (31 March 2014: approximately HK$1,381,000).

Save as the capital commitment of RMB3,500,000 (equivalent to approximately HK$4,426,000) for a further investment in Shenyang Hulian (as defined below), the Group has no other material capital expenditure commitments as at 31 March 2015.

As at 31 March 2015, the gearing ratio for the Group was approximately 2.10 (31 March 2014: N/A), calculated based on the debt (comprising bank loans, promissory notes and liability component of convertible bonds) of HK$564,430,000 and shareholders' equity of HK$269,246,000. The debt ratio was approximately 0.75 (31 March 2014: approximately 0.26), calculated as total liabilities over total assets of the Group.

CAPITAL STRUCTURE

The capital structure of the Group and fund raising activities during the year are summarised as follows:

(i) Bank Borrowings

The aforesaid HK$ Loan bears a floating interest rate and is secured by the Group's investment property and a corporate guarantee given by the Company while the RMB Loan bears a fixed interest rate of 6.7% per annum and is secured by a corporate guarantee given by an independent third party at a fee charged. Out of the total bank borrowings, approximately HK$32,280,000 (approximately 75%) was payable within one year, approximately HK$1,300,000 (approximately 3%) was payable within the second year, approximately HK$9,533,000 (approximately 22%) was payable in the third to fifth years.

(ii) Promissory Notes

During the year, the Company has issued 2 series of promissory notes as part of consideration for the Prima Acquisition. Summary of the promissory notes are as follows:

Date of issue	Principal *(HK$ million)*	Interest rate per annum	Principal repayment due date	Redeemed principal *(HK$ million)*	Outstanding principal *(HK$ million)*
25 June 2014	50	8%	25 June 2019	46	4
6 February 2015	50	8%	6 February 2020	–	50

(iii) Convertible Bonds

During the year, the Company has issued 2 series of non-interest bearing convertible bonds as part of consideration of the Prima Acquisition. Below is the summary of the movement of convertible bonds during the year:

Date of issue	Principal	Maturity Date	Conversion Price per share	Amount converted into shares during the year	Balance	Number of Shares to be issued upon full conversion
	(HK$)			*(HK$)*	*(HK$)*	
25 June 2014	420,200,000	24 June 2019	HK$0.35	–	420,200,000	1,200,571,427
6 February 2015	236,000,000	5 February 2020	HK$0.35	–	236,000,000	674,285,714

(iv) Equity Fund Raising via Placement of Shares

The Group has raised fund via placement of shares during the year.

Details of placement of shares during the year and the use of proceed are set as below:

Date and particulars of placing	Net proceeds raised (approximately) *HK$ million*	Intended use of proceeds	Actual use of proceeds (approximately)
Placing of 51,800,000 new shares under general mandate on 24 March 2015 at a placing price of HK$0.58 per share	29.1	(i) Early settlement of part of the promissory notes; and (ii) as general working capital of the Group	(i) HK$26 million had been used for the settlement of part of the promissory notes; (ii) HK$0.7 million had been used for settlement of related expenses in relation to the Auto-serve Acquisition; and (iii) HK$2.4 million had been used as general working capital
Placing of 44,500,000 new shares under general mandate on 22 May 2014 at a placing price of HK$0.45 per share	19.7	(i) Funding the Prima Acquisition; and (ii) as general working capital of the Group	(i) HK$13.2 million had been used for settlement of the Prima Acquisition related expenses; and (ii) HK$6.5 million had been used as general working capital
	48.8		

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL ACQUISITION

The Group has expanded significantly through completion of two significant acquisitions during the year.

(i) Acquisitions

The Group has completed the Prima Acquisition on 25 June 2014 with total consideration comprised (i) cash in the amount of HK$50,000,000; (ii) non-interest bearing convertible bonds in the aggregate amount of HK$656,200,000; (iii) the promissory notes of in the aggregate principal amount of HK$100,000,000 and (iv) 268,000,000 consideration shares at an issue price of HK$0.35 per share. After the acquisition, Prima Finance, the investment holding company of a group of companies specialised in the short-term financing business, became an indirect wholly-owned subsidiary of the Company. Details of the acquisition are disclosed in the circular of the Company dated 30 May 2014 and the announcements dated 25 June 2014 and 4 February 2015.

The Group has completed the acquisition of Auto-serve Group on 13 March 2015. Consideration paid to vendors comprised (i) cash in the amount of RMB5,000,000 (equivalent to approximately HK$6,250,000); (ii)10,869,565 consideration shares, at an issue price of RMB0.368 (equivalent to HK$0.46). The Group may be required to issue a maximum of further 125,000,000 consideration shares at the same issue price, subject to the fulfillment of profit guarantee provided by the vendors. As a result of the Auto-serve Acquisition, 北京奧拓思維軟件有限公司 (Beijing Auto-serve Software Company Limited) and Vibrant Youth Limited, (together with their subsidiaries, engaged in the business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC) became wholly-owned subsidiaries of the Company.

(ii) Disposal

The Group also disposed of a commercial property during the year.

On 5 September 2014, the Group has disposed of a commercial property located in Shenzhen, the PRC, through the disposal of the entire issued share capital and shareholder's loan of STII and its subsidiary at a consideration of HK$20,000,000. STII was an investment holding company, which ultimately holding a commercial property located in Shenzhen valued at RMB16.8 million (equivalent to approximately HK$21 million) as at 30 June 2014 by GCA.

(iii) Significant Investments

Save as disclosed above and in the above section of "Business and Financial Review", and the 7% equity interest of 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited) ("Shenyang Hulian"), there was no other significant investments made during the year, or plan for material investments or capital assets as at the date of this annual report, nor were there other material acquisitions and disposals of subsidiaries or associated companies during the year.

CHARGE OF GROUP ASSETS

As at 31 March 2015, the Group's investment property with a carrying value of HK$50,000,000 was pledged to secure the long-term bank borrowing of the Group (2014: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and US$ respectively. As at 31 March 2015, 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 currencies, i.e. RMB and US$, used by the respective group entities, or in the US$ for the respective group entities with HK$ being the functional currency.

As HK$ is pegged to US$, the Group considers the risk of movements in exchange rates between HK$ and US$ to be insignificant for transactions denominated in US$. 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 31 March 2015, 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 31 March 2015, 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.

MATERIAL EVENTS AFTER REPORTING DATE

On 13 April 2015, convertible bonds at a conversion price of HK$0.35 per share with principal value of HK$33,000,000 have been converted into 94,285,713 new ordinary shares of the Company.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 March 2015, the Group employed a total of 180 employees (31 March 2014: 13). 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 regularly. Staff costs, excluding Directors' remuneration, for the year ended 31 March 2015 amounted to approximately HK$11,014,000 (2014: approximately HK$2,082,000).

SHARE OPTION

The Company adopted the share option scheme in 2012 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 or exercised by the eligible participants under the said scheme during the year ended 31 March 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2015.

CORPORATE GOVERNANCE

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and processes. The Board believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the year, the Company had 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 should be separate and should not be performed by the same individual.

Deviation

From 1 April 2014 to 1 January 2015, the role of chairman and the chief executive officer ("CEO") were separately performed by Mr. Wong Wai Sing as the Chairman; and Mr. Ho Pui Tin, Terence and Mr. Han Jianli as the CEO for the periods from 1 April 2014 to 31 July 2014 and from 31 July 2014 onwards respectively.

On 1 January 2015, Mr. Wong Wai Sing was re-designated as the Vice-chairman and Mr. Han Jianli, the CEO was appointed as the Chairman. Accordingly Mr. Han Jianli are both the Chairman and CEO since 1 January 2015. Given the size and that the Company's and the Group's current business operations and administration have been relatively stable since 2015, the Board is satisfied 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.

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 of the Company (the "Bye-laws") stipulate that every Directors (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 the Shareholders.

Deviation

Mr. Du Hui and Mr. Chen Yihua were unable to attend the special general meeting of the Company held on 18 June 2014 as they had other important business engagement.

Mr. Du Hui and Mr. Chen Yihua were unable to attend the special general meeting of the Company held on 9 October 2014 as they had other important business engagement.

Mr. Du Hui and Mr. Chen Yihua were unable to attend the annual general meeting (the "AGM 2014") of the Company held on 31 July 2014 as they had other important business engagement.

Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

Deviation

The then chairman of the Board, Mr. Wong Wai Sing, was unable to attend the AGM 2014 as he had other important business engagement. However, Mr. Tsang Ho Ka, Eugene, the then vice-chairman, had chaired the AGM 2014 in accordance with Bye-laws.

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 year ended 31 March 2015.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2015, including the accounting principles and practices adopted by the Group and recommended to the Board for approval. The Audit Committee has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the external auditor of the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") will be held at 11:30 a.m. on Friday 31 July 2015 at Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday 29 July 2015 to Friday 31 July 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday 28 July 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this announcement, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the year ended 31 March 2015.

By Order of the Board
Capital Finance Holdings Limited
Mr. Han Jianli
Chairman and Chief Executive Officer

Hong Kong, 5 June 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. Chen Yihua and Mr. Du Hui.

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 7 days from the date of its posting and the Company's website at http://www.capitalfinance.hk.