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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 NINE MONTHS ENDED 31 DECEMBER 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 period from 1 April 2015 to 31 December 2015 together with comparative figures for the year ended 31 March 2015 as follows:

### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>Period from 1 April 2015 to 31 December 2015 HK\$'000</b>	Year ended 31 March 2015 (Restated) HK\$'000
<b>Continuing operations</b>			
Revenue	3	<b>120,905</b>	123,596
Cost of services rendered		<u>(2,772)</u>	<u>–</u>
Gross profit		<b>118,133</b>	123,596
Other income, and other gains and losses, net	3	<b>7,221</b>	2,488
Administrative and other expenses		<b>(54,930)</b>	(56,534)
Gain on disposal of subsidiaries		–	11,515
Fair value gain on contingent consideration			
– consideration shares		<b>25,574</b>	11,250
Fair value loss on contingent consideration			
– convertible bonds		–	(398,496)
Loss on early redemption of promissory notes		<b>(735)</b>	(1,619)
Impairment loss on goodwill	13	<b>(33,878)</b>	(546,085)
Impairment loss on trade receivables	15(c)	<b>(593)</b>	–
(Provision for) Reversal of impairment loss			
on loans to customers	14(a)	<b>(1,797)</b>	1,702
Finance costs	5	<u><b>(32,463)</b></u>	<u>(25,778)</u>
<b>Profit (Loss) before income tax from continuing operations</b>	5	<b>26,532</b>	(877,961)
Income tax expense	6	<u><b>(12,881)</b></u>	<u>(22,477)</u>

## CONSOLIDATED INCOME STATEMENT (Continued)

		<b>Period from 1 April 2015 to 31 December 2015</b>	Year ended 31 March 2015 (Restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit (Loss) for the period/year from continuing operations</b>		<b>13,651</b>	(900,438)
<b>Discontinued operations</b>			
Profit (Loss) for the period/year from discontinued operations	8	<u>6,950</u>	<u>(58,563)</u>
<b>Profit (Loss) for the period/year</b>		<u><b>20,601</b></u>	<u>(959,001)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>19,000</b>	(959,988)
Non-controlling interests		<u>1,601</u>	<u>987</u>
		<u><b>20,601</b></u>	<u>(959,001)</u>
<b>Earnings (Loss) per share attributable to owners of the Company</b>	9		
From continuing and discontinued operations			
Basic (Hong Kong cents)		<u>1.66</u>	<u>(106.49)</u>
Diluted (Hong Kong cents)		<u>1.65</u>	<u>(106.49)</u>
From continuing operations			
Basic (Hong Kong cents)		<u>1.06</u>	<u>(100.08)</u>
Diluted (Hong Kong cents)		<u>1.06</u>	<u>(100.08)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Period from 1 April 2015 to 31 December 2015 HK\$'000</b>	<b>Year ended 31 March 2015 HK\$'000</b>
<b>Profit (Loss) for the period/year</b>	<b><u>20,601</u></b>	<b><u>(959,001)</u></b>
<b>Other comprehensive (loss) income for the period/year:</b>		
<i>Item that has been reclassified to profit or loss:</i>		
Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	53	(1,356)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(47,290)</u>	<u>4,906</u>
<b>Total other comprehensive (loss) income for the period/year, net of tax</b>	<b><u>(47,237)</u></b>	<b><u>3,550</u></b>
<b>Total comprehensive loss for the period/year</b>	<b><u>(26,636)</u></b>	<b><u>(955,451)</u></b>
<b>Attributable to:</b>		
Owners of the Company	(27,361)	(956,533)
Non-controlling interests	<u>725</u>	<u>1,082</u>
	<b><u>(26,636)</u></b>	<b><u>(955,451)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2015	31 March 2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	3,734	3,319
Investment property	<i>11</i>	–	50,000
Intangible assets	<i>12</i>	177,289	223,435
Goodwill	<i>13</i>	181,968	228,648
Available-for-sale financial assets		8,356	4,426
Deferred tax assets		3,879	3,536
		<hr/>	<hr/>
Total non-current assets		375,226	513,364
		<hr/>	<hr/>
<b>Current assets</b>			
Loans to customers	<i>14</i>	383,048	428,304
Trade receivables	<i>15</i>	1,442	37,696
Refundable deposits		–	19,386
Prepayments, deposits and other receivables		13,179	10,507
Cash and cash equivalents		119,091	48,721
		<hr/>	<hr/>
Total current assets		516,760	544,614
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	<i>16</i>	–	34,806
Accrued expenses, other payables and deposits received		16,746	14,668
Amount due to a shareholder		–	50,000
Amount due to a non-controlling owner of a subsidiary		–	1,950
Tax payable		5,285	7,563
Interest-bearing borrowings		4,775	43,113
Current portion of contingent consideration – consideration shares		–	14,285
		<hr/>	<hr/>
Total current liabilities		26,806	166,385
		<hr/>	<hr/>
<b>Net current assets</b>		489,954	378,229
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		865,180	891,593
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	<b>31 December</b>	31 March
	<b>2015</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Promissory notes	<b>34,360</b>	49,808
Convertible bonds – liability component	<b>476,450</b>	471,509
Contingent consideration – consideration shares	<b>27,382</b>	48,215
Deferred tax liabilities	<b>44,067</b>	52,815
	<hr/>	<hr/>
Total non-current liabilities	<b>582,259</b>	622,347
	<hr/>	<hr/>
<b>Net assets</b>	<b>282,921</b>	269,246
	<hr/>	<hr/>
<b>Capital and reserves</b>		
Issued capital	<b>11,547</b>	10,311
Reserves	<b>256,039</b>	238,837
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>267,586</b>	249,148
	<hr/>	<hr/>
Non-controlling interests	<b>15,335</b>	20,098
	<hr/>	<hr/>
<b>Total equity</b>	<b>282,921</b>	269,246
	<hr/>	<hr/>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 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	Other 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	HK\$'000
As 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)
<b>Other comprehensive income</b>												
<i>Item that has been reclassified to profit or loss</i>												
Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	-	-	-	-	(1,356)	-	-	-	-	(1,356)	-	(1,356)
<i>Item that maybe reclassified subsequently to profit or loss</i>												
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	4,811	-	-	-	-	4,811	95	4,906
<b>Total other comprehensive income for the year</b>	-	-	-	-	3,455	-	-	-	-	3,455	95	3,550
<b>Total comprehensive loss for the year</b>	-	-	-	-	3,455	-	-	-	(959,988)	(956,533)	1,082	(955,451)
<b>Transfer to statutory reserve</b>	-	-	-	-	-	-	-	8,994	(8,994)	-	-	-
<b>Transactions with owners</b>												
<i>Contributions and distributions</i>												
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
<i>Changes in ownership interests</i>												
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	19,376	19,376
<b>Total transactions with owners</b>	3,752	236,347	-	-	-	798,828	-	-	-	1,038,927	14,959	1,053,886
<b>As at 31 March 2015</b>	<b>10,311</b>	<b>454,681</b>	<b>131,109</b>	<b>120,794</b>	<b>5,524</b>	<b>798,828</b>	<b>-</b>	<b>8,994</b>	<b>(1,281,093)</b>	<b>249,148</b>	<b>20,098</b>	<b>269,246</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Period from 1 April 2015 to 31 December 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	Other 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	HK\$'000
As at 1 April 2015	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	-	-	-	-	-	-	-	-	19,000	19,000	1,601	20,601
<b>Other comprehensive loss</b>												
<i>Item that has been reclassified to profit or loss</i>												
Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	-	-	-	-	53	-	-	-	-	53	-	53
<i>Item that maybe reclassified subsequently to profit or loss</i>												
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(46,414)	-	-	-	-	(46,414)	(876)	(47,290)
<b>Total other comprehensive loss for the period</b>	-	-	-	-	(46,361)	-	-	-	-	(46,361)	(876)	(47,237)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(46,361)	-	-	-	19,000	(27,361)	725	(26,636)
Transfer to statutory reserve	-	-	-	-	-	-	-	4,942	(4,942)	-	-	-
<b>Transactions with owners</b>												
<i>Contributions and distributions</i>												
Recognition of the final settlement value of contingent shares upon fulfillment of guaranteed profit	-	-	-	-	-	-	9,544	-	-	9,544	-	9,544
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)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(3,382)	(3,382)
<b>Total transactions with owners</b>	1,236	79,757	-	-	-	(44,738)	9,544	-	-	45,799	(5,488)	40,311
As at 31 December 2015	11,547	534,438	131,109	120,794	(40,837)	754,090	9,544	13,936	(1,267,035)	267,586	15,335	282,921



Notes:

## 1. ORGANISATION AND OPERATIONS

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 from 1 April 2015 to 31 December 2015, 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; and (ii) business of development and sales of enterprises 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 Group was also engaged in (i) business of coal trading between the PRC and Indonesia; and (ii) property investments in Hong Kong which were discontinued during the period, further details of which are set out in Note 4 and Note 8.

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”), 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, and rounded to the nearest thousands unless otherwise stated.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

### **Adoption of new/revised HKFRSs**

#### *Amendments to HKAS 19 (2011): Defined Benefit Plans – Employee Contributions*

The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

*Annual Improvements Project: 2010-2012 Cycle*

The amendments relevant to the Group include the followings.

(1) *HKFRS 2 Share-based Payment*

The amendments add definitions for “performance condition” and “service condition” which were previously part of the definition of “vesting condition” and update the definitions of “vesting condition” and “market condition”. It specifies in the definition of performance condition that a vesting condition requires specified performance target(s) to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period.

(2) *HKFRS 3 Business Combinations*

These amendments delete the reference to “other applicable HKFRSs” in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss.

(3) *HKFRS 8 Operating Segments*

HKFRS 8 is updated as follows:

- a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
- b) It is clarified that the reconciliation of the total reportable segments’ assets to the entity’s assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

(4) *HKFRS 13 Fair Value Measurement*

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity’s ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial.

(5) *HKAS 16 Property, Plant and Equipment*

HKAS 16 originally required the revalued accumulated depreciation to be restated proportionately with the change in the gross carrying amount. However, it is noted that accumulated depreciation would not be restated proportionately to the gross carrying amount in situations in which both the gross carrying amount and the carrying amount are revalued non-proportionately to each other. Consequently, HKAS 16 is amended such that a) the gross carrying amount of the revalued asset should be adjusted in a manner that is consistent with the revaluation of its carrying amount; and b) the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses.

(6) *HKAS 24 Related Party Disclosures*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the “management entity”) to the reporting entity or to the holding company of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed.

(7) *HKAS 38 Intangible Assets*

The issue identified above in restatement of accumulated depreciation in revaluation of a property, plant or equipment also applies to the revaluation of intangible assets and HKAS 38 is amended accordingly.

*Annual Improvements Project – 2011-2013 Cycle*

The amendments relevant to the Group include the followings.

(1) *HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards*

The basis for conclusions is amended to clarify that notwithstanding the advantages of applying a more recent version of a HKFRS, HKFRS 1 permits an entity to use either the HKFRS that is currently mandatory or the new HKFRS that is not yet mandatory, if that new HKFRS permits early application. If an entity chooses to apply a new HKFRS, that new HKFRS will be applied throughout all the periods presented unless HKFRS 1 provides an exemption or an exception that permits or requires otherwise.

(2) *HKFRS 3 Business Combinations*

HKFRS 3 is amended to exclude from its scope the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves.

(3) *HKFRS 13 Fair Value Measurement*

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32.

(4) *HKAS 40 Investment Property*

These amendments clarify that judgement is needed to determine whether a transaction is an acquisition of an asset or a group of assets or is a business combination within the scope of HKFRS 3. That judgement is not based on HKAS 40, but is instead based on the guidance in HKFRS 3. Further, HKFRS 3 and HKAS 40 are not mutually exclusive. Determining whether a specific transaction meets the definition of a business combination as defined in HKFRS 3 and includes an investment property as defined in HKAS 40 requires the separate application of both HKFRS 3 and HKAS 40.

### **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 period, which the Group has not early adopted.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed.

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.

### Change of financial period end date

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

Accordingly, the current annual financial period covered a nine-month period from 1 April 2015 to 31 December 2015 and the comparative amounts (except for the consolidated statement of financial position and related notes) covered a twelve-month period from 1 April 2014 to 31 March 2015 and therefore, they may not be entirely comparable.

### Impact of the Hong Kong Companies Ordinance (Cap. 622)

The financial-reporting requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance comes into operation for the preparation of the consolidated financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the consolidated financial statements for the year ended 31 March 2015. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

### 3. REVENUE, OTHER INCOME, AND OTHER GAINS AND LOSSES, NET

The Group’s revenue represents the short-term financing services income, net of direct financing costs, and development and sales of software and software maintenance service income. An analysis of the Group’s revenue, other income, and other gains and losses, net for the continuing operations is as follows:

		<b>Period from 1 April 2015 to 31 December 2015</b>	Year ended 31 March 2015 (Restated)
	<i>Note</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
<b>Continuing operations</b>			
<b>Revenue</b>			
Interest income from loans to customers		<b>59,230</b>	61,997
Financial consultancy income		<b>45,525</b>	61,988
Short-term financing services related expenses	5	<b>(1,360)</b>	(1,396)
		<hr/>	<hr/>
Short-term financing services income, net		<b>103,395</b>	122,589
Development and sales of software		<b>17,510</b>	1,007
		<hr/>	<hr/>
		<b>120,905</b>	123,596
		<hr/>	<hr/>
<b>Other income, and other gains and losses, net</b>			
Bank interest income		<b>575</b>	1
Gain on dissolution of subsidiaries		–	654
Loss on disposal of property, plant and equipment		<b>(15)</b>	(17)
Sundry income		<b>892</b>	178
Other consultancy service income		–	1,119
Government grants		<b>5,769</b>	553
		<hr/>	<hr/>
		<b>7,221</b>	2,488
		<hr/>	<hr/>

#### 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 in the PRC and Hong Kong;
- (b) Development and sales of software segment comprises development and sales 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. The Group entered into a disposal agreement with an independent third party, to dispose of the entire equity interest and shareholder's loan of Star Coal International Investment Company Limited ("Star Coal", together with its subsidiaries are referred to as the "Star Coal Group"), an indirect wholly-owned subsidiary of the Company which through its 90% owned subsidiary carried out all of the Group's coal trading operation. Accordingly, the coal trading segment was classified as a discontinued operation, details of which are set out in Note 8(b). The disposal was completed on 31 December 2015; and
- (d) The property investments segment comprised investment in various properties for rental income purposes. 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 ("Foremost Star", together with its subsidiary are referred to as the "Foremost Star Group"), 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 8(a). The disposal was completed on 10 July 2015.

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**

**Period from 1 April 2015 to 31 December 2015**

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Short-term financing services HK\$'000	Development and sales of software HK\$'000	Sub-total HK\$'000	Coal trading HK\$'000	Property investments HK\$'000	Sub-total HK\$'000	
<b>Segment revenue</b>							
External sales and services and reportable segment revenue	<u>103,395</u>	<u>17,510</u>	<u>120,905</u>	<u>29,093</u>	<u>-</u>	<u>29,093</u>	<u>149,998</u>
Reportable segment results	<u>77,280</u>	<u>(29,074)</u>	<u>48,206</u>	<u>5,728</u>	<u>1,499</u>	<u>7,227</u>	<u>55,433</u>
Impairment loss on goodwill	-	(33,878)	(33,878)	-	-	-	(33,878)
Impairment loss on trade receivables	-	(593)	(593)	-	-	-	(593)
Provision for impairment loss on loans to customers	<u>(1,797)</u>	<u>-</u>	<u>(1,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,797)</u>

**Year ended 31 March 2015 (Restated)**

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Short-term financing services HK\$'000	Development and sales of software HK\$'000	Sub-total HK\$'000	Coal trading HK\$'000	Property investments HK\$'000	Sub-total HK\$'000	
<b>Segment revenue</b>							
External sales and services and reportable segment revenue	<u>122,589</u>	<u>1,007</u>	<u>123,596</u>	<u>75,381</u>	<u>1,770</u>	<u>77,151</u>	<u>200,747</u>
Reportable segment results	<u>(437,353)</u>	<u>(6,546)</u>	<u>(443,899)</u>	<u>(9,377)</u>	<u>(50,988)</u>	<u>(60,365)</u>	<u>(504,264)</u>
Impairment loss on goodwill	(538,480)	(7,605)	(546,085)	-	-	-	(546,085)
Impairment loss on intangible assets	-	-	-	(479)	-	(479)	(479)
Impairment loss on trade receivables	-	-	-	(12,116)	-	(12,116)	(12,116)
Reversal of impairment loss on loans to customers	1,702	-	1,702	-	-	-	1,702
Fair value loss on an investment property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,000)</u>	<u>(51,000)</u>	<u>(51,000)</u>

Reconciliation of reportable segment results, assets and liabilities:

	<b>Period from 1 April 2015 to 31 December 2015 <i>HK\$'000</i></b>	Year ended 31 March 2015 (Restated) <i>HK\$'000</i>
<b>Continuing operations</b>		
<b>Profit (Loss) before income tax</b>		
Reportable segment profit (loss)	48,206	(443,899)
Interest income on bank deposits	–	1
Gain on disposal of subsidiaries	–	11,515
Fair value gain on contingent consideration – consideration shares	25,574	11,250
Fair value loss on contingent consideration – convertible bonds	–	(398,496)
Loss on early redemption of promissory notes	(735)	(1,619)
Unallocated corporate expenses	(46,513)	(56,713)
	<u>26,532</u>	<u>(877,961)</u>
<b>Consolidated profit (loss) before income tax</b>		
<b>Discontinued operations</b>		
<b>Profit (Loss) before income tax</b>		
Operating profit (loss) for the reportable segments	1,209	(60,365)
Gain on disposal of subsidiaries	6,018	–
	<u>7,227</u>	<u>(60,365)</u>
<b>Continuing and discontinued operations</b>		
Profit (Loss) before income tax	<u>33,759</u>	<u>(938,326)</u>



	<b>31 December</b>	31 March
	<b>2015</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment assets</b>		
Short-term financing services	<b>806,769</b>	817,893
Development and sales of software	<b>52,530</b>	88,882
Property investments	–	51,175
Coal trading	–	95,452
	<hr/>	<hr/>
<b>Reportable segment assets</b>	<b>859,299</b>	1,053,402
Unallocated corporate assets	<b>32,687</b>	4,576
	<hr/>	<hr/>
<b>Consolidated total assets</b>	<b>891,986</b>	1,057,978
	<hr/>	<hr/>
<b>Segment liabilities</b>		
Short-term financing services	<b>(61,281)</b>	(89,470)
Development and sales of software	<b>(7,177)</b>	(8,735)
Property investments	–	(28)
Coal trading	–	(55,208)
	<hr/>	<hr/>
<b>Reportable segment liabilities</b>	<b>(68,458)</b>	(153,441)
Unallocated corporate liabilities	<b>(540,607)</b>	(635,291)
	<hr/>	<hr/>
<b>Consolidated total liabilities</b>	<b>(609,065)</b>	(788,732)
	<hr/>	<hr/>

(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"):

	<b>Revenue from external customers</b>		<b>Specified non-current assets</b>	
	<b>Period from 1 April 2015</b>			
	<b>to</b>	<b>Year ended</b>		
	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
		<b>(Restated)</b>		<b>(Restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>				
Hong Kong	<b>4,200</b>	–	<b>859</b>	1,189
PRC	<b>116,705</b>	123,596	<b>362,132</b>	418,405
	<b>120,905</b>	123,596	<b>362,991</b>	419,594
<b>Discontinued operations</b>				
Hong Kong	–	1,770	–	85,808
PRC	<b>29,093</b>	75,381	–	–
	<b>29,093</b>	77,151	–	85,808
	<b>149,998</b>	200,747	<b>362,991</b>	505,402

(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 (year ended 31 March 2015: one) customer contributed to 10% or more of the Group's revenue for the period from 1 April 2015 to 31 December 2015 in the amount of approximately HK\$29,093,000 (year ended 31 March 2015: approximately HK\$75,381,000) as included in the above disclosures for the coal trading segment revenue.

The customer base in short-term financial services segment is diversified and one (year ended 31 March 2015: Nil) customer contributed to 10% or more of the Group's revenue for the period from 1 April 2015 to 31 December 2015 in the amount of approximately HK\$15,507,000 (year ended 31 March 2015: HK\$Nil).

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 period/year presented.

## 5. PROFIT (LOSS) BEFORE INCOME TAX

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

		<b>Period from 1 April 2015 to 31 December 2015</b>	Year ended 31 March 2015 (Restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Finance costs</b>			
<b>Continuing operations</b>			
Effective interest expenses on			
– convertible bonds		29,326	22,521
– promissory notes		3,137	3,257
Interest expense on funds for loans to customers		<u>1,360</u>	<u>1,396</u>
		33,823	27,174
Less: interest expense included in revenue	3	<u>(1,360)</u>	<u>(1,396)</u>
		<u>32,463</u>	<u>25,778</u>
<b>Discontinued operations</b>			
Interest on bank borrowings wholly repayable within five years	8(b)	<u>216</u>	<u>442</u>
		<u>32,679</u>	<u>26,220</u>
<b>Other items</b>			
<b>Continuing operations</b>			
Staff costs (excluding directors' emoluments)			
Salaries and wages		16,631	9,636
Pension scheme contributions		<u>3,238</u>	<u>1,378</u>
		<u>19,869</u>	<u>11,014</u>
Auditor's remuneration			
– Audit services		1,516	1,420
– Non-audit services		570	680
Depreciation of property, plant and equipment		1,152	1,132
Amortisation of intangible assets		913	61
Legal and professional fees related to the acquisition of subsidiaries		–	4,293
Minimum lease payments under operating leases for land and buildings		6,618	6,895
<b>Discontinued operations</b>			
Cost of inventories sold	8(b)	<u>27,522</u>	<u>71,604</u>

## 6. INCOME TAX EXPENSE

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

	<b>Period from 1 April 2015 to 31 December 2015 <i>HK\$'000</i></b>	Year ended 31 March 2015 (Restated) <i>HK\$'000</i>
<b>Continuing operations</b>		
<b>Current tax</b>		
PRC		
Current tax charge for the period/year	15,588	22,172
Under-provision in respect of prior years	30	–
Deferred tax (credit) expense	<u>(2,737)</u>	<u>305</u>
Income tax expense for continuing operations	<u>12,881</u>	<u>22,477</u>
<b>Discontinued operations</b>		
<b>Current tax</b>		
Hong Kong		
Current tax charge for the period/year	277	527
Over-provision in respect of prior years	–	(251)
Deferred tax credit	<u>–</u>	<u>(2,078)</u>
Income tax expense (credit) for discontinued operations	<u>277</u>	<u>(1,802)</u>
Total income tax expense for continuing and discontinued operations	<u><b>13,158</b></u>	<u><b>20,675</b></u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the period from 1 April 2015 to 31 December 2015 and the year ended 31 March 2015.

The subsidiaries of the Group established in the PRC are subject to enterprise income tax ("EIT") of the PRC at 25% (year ended 31 March 2015: 25%), except for Beijing Auto-serve Software Company Limited which is subject to EIT of the PRC at a preferential rate of 15% for high and new technology enterprises up to 2017.

Pursuant to the relevant laws and implementation rules announced by the People's Government of the Tibet Autonomous Region, a subsidiary of the Group established in Tibet of the PRC is subject to the EIT of the PRC at 15% up to 2020.

- (b) The income tax expense (credit) for the period/year can be reconciled to the accounting profit (loss) before income tax from continuing operations as follows:

	<b>Period from 1 April 2015 to 31 December 2015 <i>HK\$'000</i></b>	Year ended 31 March 2015 (Restated) <i>HK\$'000</i>
<b>Continuing operations</b>		
Profit (Loss) before income tax	<u>26,532</u>	<u>(877,961)</u>
Tax calculated at the applicable rate	<b>6,582</b>	(139,580)
Tax effect on income not taxable for tax purpose	<b>(5,045)</b>	(3,194)
Tax effect on unused tax losses not recognised and expenses not deductible for taxation purpose	<b>13,721</b>	165,375
Tax concession received	<b>(2,407)</b>	(124)
Under-provision in respect of prior years	<u>30</u>	<u>–</u>
Income tax expense for the period/year	<u><b>12,881</b></u>	<u>22,477</u>

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries.

For the preparation of the above reconciliation, the directors consider the Group is no longer principally subjected to Hong Kong Profits Tax in the Group's continuing operations and therefore, the existing basis for the determination of the applicable tax rate is adopted with comparative information is restated for consistency purpose.

## 7. DIVIDENDS

No dividend has been paid or declared by the Company for the period from 1 April 2015 to 31 December 2015 (year ended 31 March 2015: HK\$Nil).

The directors of the Company do not recommend for payment of a final dividend for the period from 1 April 2015 to 31 December 2015 (year ended 31 March 2015: HK\$Nil).

## 8. DISCONTINUED OPERATIONS

### (a) Property Investments Operation

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

**(b) Coal Trading Operation**

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

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

The results of the discontinued operations for the period from 1 April 2015 to 31 December 2015 and the year ended 31 March 2015 are analysed as follow:

	<i>Note</i>	Period from 1 April 2015 to 31 December 2015			Year ended 31 March 2015		
		Coal trading	Property investments	Total	Coal trading	Property investments	Total
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		<b>29,093</b>	–	<b>29,093</b>	75,381	1,770	77,151
Cost of sales		<b>(27,522)</b>	–	<b>(27,522)</b>	(71,604)	–	(71,604)
Gross profit		<b>1,571</b>	–	<b>1,571</b>	3,777	1,770	5,547
Other gains and losses, net		<b>305</b>	–	<b>305</b>	752	8	760
Selling and distribution expenses		<b>(285)</b>	–	<b>(285)</b>	(684)	–	(684)
Administrative and other expenses		<b>(20)</b>	<b>(146)</b>	<b>(166)</b>	(185)	(1,766)	(1,951)
Fair value loss on an investment property	11	–	–	–	–	(51,000)	(51,000)
Impairment loss on intangible assets	12	–	–	–	(479)	–	(479)
Impairment loss on trade receivables	15(c)	–	–	–	(12,116)	–	(12,116)
Finance costs	5	<b>(216)</b>	–	<b>(216)</b>	(442)	–	(442)
Operating profit (loss)		<b>1,355</b>	<b>(146)</b>	<b>1,209</b>	(9,377)	(50,988)	(60,365)
Gain on disposal of subsidiaries		<b>4,373</b>	<b>1,645</b>	<b>6,018</b>	–	–	–
<b>Profit (Loss) before income tax</b>		<b>5,728</b>	<b>1,499</b>	<b>7,227</b>	(9,377)	(50,988)	(60,365)
Income tax (expense) credit		<b>(277)</b>	–	<b>(277)</b>	1,551	251	1,802
<b>Profit (Loss) for the period/year</b>		<b>5,451</b>	<b>1,499</b>	<b>6,950</b>	<b>(7,826)</b>	<b>(50,737)</b>	<b>(58,563)</b>

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

	Period from 1 April 2015 to 31 December 2015			Year ended 31 March 2015		
	Coal trading <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Total <i>HK\$'000</i>	Coal trading <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Net cash from (used in) operating activities	10,726	(10)	10,716	(10,874)	(10)
Net cash flow from investing activities	-	-	-	-	-	-
Net cash (used in) from financing activities	(12,133)	-	(12,133)	12,133	-	12,133
Net (decrease) increase in cash and cash equivalents	<u>(1,407)</u>	<u>(10)</u>	<u>(1,417)</u>	<u>1,259</u>	<u>(10)</u>	<u>1,249</u>

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

	Period from 1 April 2015 to 31 December 2015 <i>HK\$'000</i>		Year ended 31 March 2015 <i>HK\$'000</i>
	Earnings (Loss) per share for the discontinued operations attributable to owners of the Company:		
Basic (Hong Kong cents)	<u>0.60</u>	<u>(6.41)</u>	
Diluted (Hong Kong cents)	<u>0.23</u>	<u>(6.41)</u>	

The basic and diluted earnings (loss) per share for the discontinued operations are calculated by dividing the profit (loss) for the period/year from the discontinued operations 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 earnings per share computation respectively. The denominators used are the same as those detailed in Note 9.

## **9. EARNINGS (LOSS) PER SHARE**

The calculations of basic earnings (loss) per share for the current period and prior year are based on the profit (loss) for the period/year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the period from 1 April 2015 to 31 December 2015 and the year ended 31 March 2015.

The calculations of diluted earnings (loss) per share for the period from 1 April 2015 to 31 December 2015 and the year ended 31 March 2015 are based on the profit (loss) for the period/year 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 period from 1 April 2015 to 31 December 2015 and the year ended 31 March 2015 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 year ended 31 March 2015, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted loss per share for the year ended 31 March 2015 are equal.

For the period from 1 April 2015 to 31 December 2015, the diluted earnings per share for (i) continuing and discontinued operations and (ii) discontinued 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 earnings per share for (i) continuing and discontinued operations and (ii) discontinued operations and hence the potential dilutive shares is assumed in the computation of diluted earnings per share.

The computation of diluted earnings per share for continuing operations does not assume conversion of the convertible bonds as their conversion would result in an increase in earnings per share.



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

	Continuing operations		Discontinued operations		Total	
	Period from 1 April 2015 to 31 December 2015 <i>HK\$'000</i>	Year ended 31 March 2015 (Restated) <i>HK\$'000</i>	Period from 1 April 2015 to 31 December 2015 <i>HK\$'000</i>	Year ended 31 March 2015 (Restated) <i>HK\$'000</i>	Period from 1 April 2015 to 31 December 2015 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>
<b>Profit (Loss)</b>						
Profit (Loss) attributable to the owners of the Company, used in basic earnings (loss) per share calculation	12,157	(902,204)	6,843	(57,784)	19,000	(959,988)
Adjustment of profit (loss) attributable to the owners of the Company: Interest saving of the convertible bonds	29,326	–	–	–	29,326	–
Profit (Loss) attributable to the owners of the Company, used in the diluted earnings (loss) per share calculation	41,483	(902,204)	6,843	(57,784)	48,326	(959,988)
	Continuing operations	Discontinued operations	Total			
	Period from 1 April 2015 to 31 December 2015 '000	Year ended 31 March 2015 '000	Period from 1 April 2015 to 31 December 2015 '000	Year ended 31 March 2015 '000	Period from 1 April 2015 to 31 December 2015 '000	Year ended 31 March 2015 '000
<b>Share</b>						
Weighted average number of ordinary shares for basic earnings (loss) per share calculation	1,141,551	901,453	1,141,551	901,453	1,141,551	901,453
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	1,785,028	–	1,785,028	–	1,785,028	–
Weighted average number of ordinary share for diluted earnings (loss) per share calculation	2,926,579	901,453	2,926,579	901,453	2,926,579	901,453

## 10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings located in the PRC <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
As at 1 April 2014	12,942	2,241	8,463	–	23,646
Additions	–	1,057	932	–	1,989
Additions through acquisition of subsidiaries	–	–	785	906	1,691
Disposal/Written off	–	(1,640)	(249)	–	(1,889)
Disposal through disposal of subsidiaries	(12,941)	(600)	(7,477)	–	(21,018)
Exchange realignments	(1)	–	12	10	21
As at 31 March 2015 and 1 April 2015	<u>–</u>	<u>1,058</u>	<u>2,466</u>	<u>916</u>	<u>4,440</u>
Additions	–	8	1,547	297	1,852
Disposal/Written off	–	–	(637)	–	(637)
Exchange realignments	–	–	(132)	(66)	(198)
As at 31 December 2015	<u>–</u>	<u>1,066</u>	<u>3,244</u>	<u>1,147</u>	<u>5,457</u>
<b>Accumulated depreciation</b>					
As at 1 April 2014	3,265	2,170	8,054	–	13,489
Disposal/Written off	–	(1,640)	(232)	–	(1,872)
Disposal through disposal of subsidiaries	(3,563)	(600)	(7,477)	–	(11,640)
Charge for the year	298	335	308	191	1,132
Exchange realignments	–	–	6	6	12
As at 31 March 2015 and 1 April 2015	<u>–</u>	<u>265</u>	<u>659</u>	<u>197</u>	<u>1,121</u>
Disposal/Written off	–	–	(502)	–	(502)
Charge for the period	–	298	607	247	1,152
Exchange realignments	–	–	(24)	(24)	(48)
As at 31 December 2015	<u>–</u>	<u>563</u>	<u>740</u>	<u>420</u>	<u>1,723</u>
<b>Net carrying amount</b>					
As at 31 December 2015	<u>–</u>	<u>503</u>	<u>2,504</u>	<u>727</u>	<u>3,734</u>
As at 31 March 2015	<u>–</u>	<u>793</u>	<u>1,807</u>	<u>719</u>	<u>3,319</u>

## 11. INVESTMENT PROPERTY

	<b>Period from 1 April 2015 to 31 December 2015 HK\$'000</b>	<b>Year ended 31 March 2015 HK\$'000</b>
<b>Fair value</b>		
At the beginning of the reporting period	<b>50,000</b>	101,000
Change in fair value	–	(51,000)
Disposal through disposal of subsidiaries	<i>8(a)</i> <b>(50,000)</b>	–
<b>At the end of the reporting period</b>	<b>–</b>	<b>50,000</b>

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

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 foot.

The fair value of the investment property as at 31 March 2015 was a level 2 recurring fair value measurement, which used significant observable inputs in arriving at fair value. During the period from 1 April 2015 to 31 December 2015, there were no transfers between level 1 and level 2, or transfers into level 3.

The fair value measurement was based on the highest and best use of the investment property, which did not differ from its actual use.

## 12. INTANGIBLE ASSETS

	The LOIs HK\$'000	Pawn Licences HK\$'000	Trademarks HK\$'000	Product Licences HK\$'000	System Software HK\$'000	Total HK\$'000
<b>Cost</b>						
As at 1 April 2014	60,000	-	-	-	-	60,000
Additions through acquisitions of subsidiaries	-	167,845	15,841	2,996	-	186,682
Exchange realignments	-	921	72	13	-	1,006
As at 31 March 2015 and 1 April 2015	<u>60,000</u>	<u>168,766</u>	<u>15,913</u>	<u>3,009</u>	<u>-</u>	<u>247,688</u>
Additions	-	-	-	-	1,088	1,088
Disposal through disposal of subsidiaries	(60,000)	-	-	-	-	(60,000)
Exchange realignments	-	(9,449)	(891)	(169)	(38)	(10,547)
As at 31 December 2015	<u>-</u>	<u>159,317</u>	<u>15,022</u>	<u>2,840</u>	<u>1,050</u>	<u>178,229</u>
<b>Accumulated amortisation and impairment losses</b>						
As at 1 April 2014	23,713	-	-	-	-	23,713
Amortisation	-	-	-	61	-	61
Impairment losses	479	-	-	-	-	479
As at 31 March 2015 and 1 April 2015	<u>24,192</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>24,253</u>
Amortisation	-	-	-	883	30	913
Disposal through disposal of subsidiaries	(24,192)	-	-	-	-	(24,192)
Exchange realignments	-	-	-	(34)	-	(34)
As at 31 December 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>910</u>	<u>30</u>	<u>940</u>
<b>Net carrying amount</b>						
As at 31 December 2015	<u>-</u>	<u>159,317</u>	<u>15,022</u>	<u>1,930</u>	<u>1,020</u>	<u>177,289</u>
As at 31 March 2015	<u>35,808</u>	<u>168,766</u>	<u>15,913</u>	<u>2,948</u>	<u>-</u>	<u>223,435</u>

## The LOIs

The LOIs relate to the Coal Trading CGU (as defined in Note 13) and represented two separate legally binding master framework purchase agreements entered into between the CIFC Group (as defined in Note 13) 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 were tested for impairment at least annually and were allocated to the Coal Trading CGU for impairment assessment purpose. The recoverable amount of the Coal Trading CGU as at 31 March 2015 was 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 was determined based on a fair-value-less-costs-of-disposal calculation using a cash flow projection according to the financial budgets approved by the management for the next 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:

	31 March 2015
Growth in revenue year-on-year during the projection period	No growth
Post-tax discount rate per annum	12.68%
Budgeted gross margins	5.4%
Perpetual growth rate per annum	<u>2.5%</u>

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.

No further impairment on the Coal Trading CGU was recognised for the period from 1 April 2015 to 31 December 2015 because the Group has disposed of the entire equity interest and shareholder's loan of the Coal Trading CGU and recognised a gain on disposal of approximately HK\$4,373,000.

## **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 had been acquired by the Group in prior year, and they were 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 Licences are considered by the management as having an indefinite useful life because it is expected to contribute to new cash inflows indefinitely.

## **Trademarks**

Trademarks was 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.

## **System Software**

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

## **Impairment testing of the Pawn Licences, the Trademarks, the Product Licences and the System Software**

The carrying amounts of the Pawn Licences, the Trademarks, the Product Licences and the System Software have been included in the impairment assessment of goodwill (as detailed in Note 13) for the respective cash-generating units (the “CGUs”):

Short-term Financing CGU: Pawn Licences

Software CGU: Trademarks, Product Licences and System Software

### 13. GOODWILL

	<b>Coal Trading CGU HK\$'000</b>	<b>Short-term Financing CGU HK\$'000</b>	<b>Software CGU HK\$'000</b>	<b>Total HK\$'000</b>
<b>Cost</b>				
As at 1 April 2014	24,425	–	–	24,425
Additions through acquisitions of subsidiaries	–	707,813	64,221	772,034
Exchange realignments	–	3,883	291	4,174
<b>As at 31 March 2015 and 1 April 2015</b>	<b>24,425</b>	<b>711,696</b>	<b>64,512</b>	<b>800,633</b>
Disposal through disposal of subsidiaries	(24,425)	–	–	(24,425)
Exchange realignments	–	(39,848)	(3,612)	(43,460)
<b>As at 31 December 2015</b>	<b>–</b>	<b>671,848</b>	<b>60,900</b>	<b>732,748</b>
<b>Accumulated impairment losses</b>				
As at 1 April 2014	24,425	–	–	24,425
Impairment losses	–	538,480	7,605	546,085
Exchange realignments	–	1,441	34	1,475
<b>As at 31 March 2015 and 1 April 2015</b>	<b>24,425</b>	<b>539,921</b>	<b>7,639</b>	<b>571,985</b>
Disposal through disposal of subsidiaries	(24,425)	–	–	(24,425)
Impairment losses	–	–	33,878	33,878
Exchange realignments	–	(30,230)	(428)	(30,658)
<b>As at 31 December 2015</b>	<b>–</b>	<b>509,691</b>	<b>41,089</b>	<b>550,780</b>
<b>Net carrying amount</b>				
<b>As at 31 December 2015</b>	<b>–</b>	<b>162,157</b>	<b>19,811</b>	<b>181,968</b>
As at 31 March 2015	–	171,775	56,873	228,648

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 and was disposed of during the period ended 31 December 2015.

Goodwill arising during the year ended 31 March 2015 related to the acquisitions of the Prima Finance Holdings Limited 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”) 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 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 during the year ended 31 March 2015 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**

During the year ended 31 March 2015, 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 that 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 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.

As at 31 December 2015, the Group determines that there is no impairment of other intangible assets and goodwill in respect of the short-term financing CGU, as its recoverable amount exceeds its carrying value.

### **Software CGU**

During the year ended 31 March 2015, the management of the Group is of the opinion, based on the business value calculation, the Software CGU is partially impaired by approximately HK\$7,605,000 which was charged to profit or loss for that 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, the Group determines that there is no further impairment of the Software CGU, as the recoverable amount exceeds its carrying value.

As at 31 December 2015, the management of the Group is of the opinion, based on the business valuation calculation, the Software CGU was further impaired by approximately HK\$33,878,000 which was charged to profit or loss for the period from 1 April 2015 to 31 December 2015.

The impairment is mainly due to the result of deterioration in the equity value of the Auto-serve Group arising from the continuous exacerbation of market condition and the implementation of new regulatory acts as announced by the State Council of the PRC regarding to peer-to-peer lending industry which lead to a significant increment of the Auto-serve Group's software development cost and an expected negative impact on the Auto-serve Group's revenue and growth rate.

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:

	<b>Short-term Financing CGU</b>		<b>Software CGU</b>	
	<b>31 December 2015</b>	31 March 2015	<b>31 December 2015</b>	31 March 2015
Interest rates	17.4%-23.0%	18.7%-25.0%	N/A	N/A
Annual revenue growth rate on various service lines	N/A	N/A	10.0%-25.9%	10.0%-77.2%
Perpetual growth rate	3.0%	3.0%	3.0%	3.0%
Post-tax discount rate	<u>12.9%-13.9%</u>	<u>14.5%-15.5%</u>	<u>33.8%</u>	<u>32.3%</u>

#### **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:

<b>CGUs</b>	<b>Fair value hierarchy</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
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 for the above fair value measurement of the CGUs during the period from 1 April 2015 to 31 December 2015 and the year ended 31 March 2015.

## 14. LOANS TO CUSTOMERS

	<b>31 December</b>	31 March
	<b>2015</b>	2015
<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Pawn loans	<b>253,471</b>	270,895
Micro-credit loans	<b>102,600</b>	128,975
Entrusted loans	<b>34,514</b>	34,581
	<hr/>	<hr/>
Loans to customers, gross	<b>390,585</b>	434,451
	<hr/>	<hr/>
Less: Impairment allowances	<i>14(a)</i>	
– Individually assessed	<b>(4,211)</b>	(1,917)
– Collectively assessed	<b>(3,326)</b>	(4,230)
	<hr/>	<hr/>
	<b>(7,537)</b>	(6,147)
	<hr/>	<hr/>
Loans to customers, net	<b>383,048</b>	428,304
	<hr/>	<hr/>

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 0.4% to 4.6% for the period from 1 April 2015 to 31 December 2015 (year ended 31 March 2015: 1% to 4.6%). Loans to customers are all denominated in RMB.

### (a) Movements of impairment allowances are as follows:

	Period from 1 April 2015 to 31 December 2015			Year ended 31 March 2015		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the reporting period	1,917	4,230	6,147	–	–	–
Additions of allowances from acquisition of subsidiaries	–	–	–	4,337	3,475	7,812
Provision for (Reversal of) impairment losses charged (credited) to profit or loss	2,488	(691)	1,797	(2,435)	733	(1,702)
Exchange realignments	(194)	(213)	(407)	15	22	37
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the reporting period	<b>4,211</b>	<b>3,326</b>	<b>7,537</b>	<b>1,917</b>	<b>4,230</b>	<b>6,147</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**(b) Aging analysis**

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

	<b>31 December 2015 HK\$'000</b>	31 March 2015 HK\$'000
Less than 1 month	<b>267,260</b>	194,171
1 to 3 month(s)	<b>23,340</b>	49,832
4 to 6 months	<b>46,284</b>	78,942
7 to 12 months	<b>34,084</b>	100,391
Over 12 months	<b>12,080</b>	4,968
	<b><u>383,048</u></b>	<b><u>428,304</u></b>

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

	<b>31 December 2015 HK\$'000</b>	31 March 2015 HK\$'000
Not yet past due	<b>325,758</b>	294,621
Less than 1 month past due	<b>35,516</b>	20,910
1 to 3 month(s) past due	<b>5,002</b>	24,791
4 to 6 months past due	<b>7,465</b>	12,915
7 to 12 months past due	<b>6,766</b>	71,717
Over 12 months past due	<b>2,541</b>	3,350
	<b><u>383,048</u></b>	<b><u>428,304</u></b>

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:

	<b>31 December 2015 HK\$'000</b>	31 March 2015 HK\$'000
Collateralised	<b>294,465</b>	336,715
Non-collateralised		
– With guarantee	<b>88,388</b>	82,298
– Without guarantee	<b>195</b>	9,291
	<b><u>383,048</u></b>	<b><u>428,304</u></b>

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.

## 15. TRADE RECEIVABLES

	<b>31 December 2015 HK\$'000</b>	31 March 2015 HK\$'000
	<i>Note</i>	
Trade receivables from third parties	<b>2,014</b>	49,812
Impairment allowances	<i>15(c)</i> <b>(572)</b>	(12,116)
	<b><u>1,442</u></b>	<b><u>37,696</u></b>

- (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:

	<b>31 December 2015 HK\$'000</b>	31 March 2015 HK\$'000
Within 90 days	<b>996</b>	18,058
91 to 180 days	<b>96</b>	19,069
181 to 365 days	<b>350</b>	12,551
Over 365 days	<b>572</b>	134
	<b><u>2,014</u></b>	<b><u>49,812</u></b>

- (b) The Group normally allows an average credit term of 30 days and 60 to 90 days (for the year ended 31 March 2015: 30 days and 60 to 90 days) to its customers for the development and sales of software business and the coal trading business, respectively. For certain well-established customers of the coal trading business 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 for the development and sales of software business and the coal trading business, the past settlement patterns and the current credit quality of these debtors, the Group recognised impairment allowances to reflect the risk on the recoverability of the amounts due.

	<b>Period from 1 April 2015 to 31 December 2015 HK\$'000</b>	Year ended 31 March 2015 HK\$'000
<b>Impairment losses</b>		
At the beginning of the reporting period	12,116	–
Increase in allowances	593	12,116
Disposal of subsidiaries	(12,116)	–
Exchange realignments	(21)	–
	<u>572</u>	<u>12,116</u>
<b>At the end of the reporting period</b>	<b><u>572</u></b>	<b><u>12,116</u></b>

The aging analysis of trade receivables, net of impairment allowances, is as follows:

	<b>31 December 2015 HK\$'000</b>	31 March 2015 HK\$'000
Not yet past due	996	18,058
Less than 30 days past due	–	12,788
31 days to 91 days past due	96	6,295
91 days to 180 days past due	–	186
181 days to 365 days past due	350	369
	<u>1,442</u>	<u>37,696</u>
	<b><u>1,442</u></b>	<b><u>37,696</u></b>

Receivables that were neither past due nor impaired related to customers for which there is no recent history of default. The Group does not hold any collateral over the balances.

## 16. TRADE PAYABLES

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

	<b>31 December 2015 HK\$'000</b>	31 March 2015 HK\$'000
Within 90 days	–	34,545
91 to 180 days	–	261
	<u>–</u>	<u>34,806</u>

As at 31 March 2015, the trade payables were non-interest bearing and were normally settled on an average term of 60 to 90 days.

## 17. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

As set out in the Company's announcement dated 29 December 2015, an entrusted loan of RMB76,000,000 (equivalent to approximately HK\$90,721,000) has been granted by Lhasa Jiade Financial Consultant Company Limited, an indirect wholly-owned subsidiary of the Company to an independent third party (the "Borrower") through a PRC commercial bank for a period of 12 months. Subsequent to 31 December 2015 and up to the date of this announcement, RMB42,000,000 (equivalent to approximately HK\$50,135,000) was drawn by the Borrower.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

The financial year end date of the Company has been changed from 31 March to 31 December starting from the financial year 2015 in order to align with the Company's financial year end date with its operating companies in the People's Republic of China (the "PRC") thereby streamlining the preparation of the Company's financial reporting process. Therefore, the current financial period covers a period of nine months from 1 April 2015 to December 2015 which may not be entirely comparable with last years results which cover a period of twelve months.

Capital Finance Holdings Limited and its subsidiaries are principally engaged in (i) short-term financing services in 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. The Group was also engaged in (i) property investments in Hong Kong; and (ii) business of coal trading between the PRC and Indonesia which were discontinued during the current period.

The Group recorded total revenue for the nine months ended 31 December 2015 of approximately Hong Kong dollar ("HK\$") 120,905,000 (year ended 31 March 2015: approximately HK\$123,596,000) from continuing operations representing a slight decrease of approximately HK\$2,691,000 as compared with last year. The short-term financing services business and development and sales of software business were acquired in June 2014 and March 2015 respectively which contributed revenue of approximately HK\$103,395,000 (year ended 31 March 2015: approximately HK\$122,589,000) and approximately HK\$17,510,000 (year ended 31 March 2015: approximately HK\$1,007,000) respectively. The gross profit of the Group for the nine months ended 31 December 2015 was approximately HK\$118,133,000 (year ended 31 March 2015: approximately HK\$123,596,000).

The administrative and other expenses for the nine months ended 31 December 2015 from continuing operations has slightly decreased from approximately HK\$56,534,000 in the year ended 31 March 2015 to approximately HK\$54,930,000.



The significant increase in profit attributable to the owners of the Company for the nine months ended 31 December 2015 by approximately HK\$978,988,000 to approximately HK\$19,000,000 (year ended 31 March 2015: a substantial loss of approximately HK\$959,988,000) was mainly attributable to the combined effects of:

- (i) no non-cash impairment loss on goodwill and fair value loss on contingent consideration – convertible bonds in relation to the short-term financing services cash generating unit were recorded for the nine months ended 31 December 2015, while losses of approximately HK\$538,480,000 and approximately HK\$398,496,000 were recorded, respectively, for the year ended 31 March 2015.
- (ii) no non-cash fair value loss on an investment property was recorded for the nine months ended 31 December 2015 while a non-cash fair value loss on an investment property of approximately HK\$51,000,000 was recorded for the year ended 31 March 2015.
- (iii) increase in non-cash fair value gain on contingent consideration – consideration shares in relation to the acquisition of Auto-serve Group from approximately HK\$11,250,000 for the year ended 31 March 2015 to approximately HK\$25,574,000 for the nine months ended 31 December 2015.
- (iv) increase in non-cash impairment loss on goodwill of the Auto-serve Group from approximately HK\$7,605,000 for the year ended 31 March 2015 to approximately HK\$33,878,000 for the nine months ended 31 December 2015.

## **CONTINUING OPERATIONS**

### **Short-term Financing Services**

During the nine months ended 31 December 2015, the revenue of short-term financing services was approximately HK\$103,395,000 (year ended 31 March 2015: approximately HK\$122,589,000). The decrease in revenue was mainly attributable to the seasonal effects of the short-term financing business since the peak season of this business normally occurs two to three months before Chinese New Year, however due to the change of the financial year end date of the Company in the current period, the current financial period does not cover the peak season of the business. In addition, the decrease of the benchmark interest rate of loans of the People's Bank of China and the slowdown of the economic development in the PRC also led the decrease of revenue of this business segment. The segment results of the short-term financing services recorded a profit of approximately HK\$77,280,000 (year ended 31 March 2015: loss of approximately HK\$437,353,000). The significant increase in segment profit for the nine months ended 31 December 2015 when compared with last year was mainly attributable to no non-cash impairment loss on goodwill of the short-term financing services business was recorded for the nine months ended 31 December 2015, while impairment loss of approximately HK\$538,480,000 was recorded for the year ended 31 March 2015.

## **Development and Sales of Software**

The acquisition of the Auto-serve Group was completed on 13 March 2015. 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 nine months ended 31 December 2015, the revenue and segment results of the development and sales of software segment were approximately HK\$17,510,000 (year ended 31 March 2015: approximately HK\$1,007,000) and loss of approximately HK\$29,074,000 (year ended 31 March 2015: approximately HK\$6,546,000) respectively. The significant increase in revenue was mainly attributable to a full nine months results was incorporated into the Group's financial results for the current period, while revenue of this segment for approximately nineteen days was recorded in last year.

## **DISCONTINUED OPERATIONS**

### **Property Investments**

The investment property was vacant and it has been used by the Group to secure a bank loan bearing floating rate for the period from 1 April 2015 to 9 June 2015. In view of the uncertain in rental income in the near future, and the possibility of increase in bank loan interest rate due to the expected ending of the persistent low interest rate environment, the Board considered that the disposal of the investment property of the Group presented a good opportunity for the Group to realise its investment with a gain and to reduce bank borrowings of the Group.

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

The property was vacant during the nine months ended 31 December 2015 while it generated rental income of approximately HK\$1,770,000 during the year ended 31 March 2015. This segment recorded a profit of approximately HK\$1,499,000 (year ended 31 March 2015: loss of approximately HK\$50,988,000) due to the recognition of gain on disposal of Foremost Star Group of approximately HK\$1,645,000 during the nine months ended 31 December 2015 while the loss resulted for last year was mainly due to a non-cash fair value loss on an investment property of approximately HK\$51,000,000.

## **Coal Trading**

In view of the coal trading business has tied up huge financial 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 businesses.

On 14 July 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Star Coal International Investment Company Limited ("Star Coal", together with its subsidiaries are referred to as the "Star Coal Group") to an independent third party at a consideration of HK\$54,000,000. The Star Coal Group carried out all of the Group's coal trading operation. Accordingly the Group's coal trading operation was classified as discontinued operations. Details of the disposal are set out in the Company's circular dated 6 August 2015. The disposal was completed on 31 December 2015.

During the nine months ended 31 December 2015, revenue of coal trading business decreased by approximately HK\$46,288,000 to approximately HK\$29,093,000 (year ended 31 March 2015: approximately HK\$75,381,000), The decrease in revenue for the nine months ended 31 December 2015 was mainly due to the decrease of transaction volume and average selling price during the current period. However, the Group was able to maintain its gross profit margin. The segment results of coal trading recorded a profit of approximately HK\$5,728,000 (year ended 31 March 2015: loss of approximately HK\$9,377,000) due to the recognition of gain on disposal of Star Coal Group of approximately of HK\$4,373,000 during the nine months ended 31 December 2015.

## **Prospects**

Looking ahead to 2016, the global business environment is expected to be complex and continue to create challenging operating conditions for businesses. The PRC economy is expected to continue to deteriorate with a lower GDP growth rate. However, the Group will continue to leverage on its competitive advantage, solidify and further develop its short-term financing services. Apart from strengthening the present Beijing market, the Group will further expand its businesses in Shenyang, Hong Kong, and the other cities. The Group will seek new development opportunities so as to offer various financial products to our customers at the right time. In addition, the Group is committed to become an integrated financial services provider, and will continue to actively explore the opportunities to co-operate with various financial institutions in the future.

## LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2015, the Group had total bank borrowings of approximately HK\$4,775,000 denominated in Renminbi (“RMB”) (31 March 2015: approximately HK\$43,113,000 denominated in HK\$ and RMB) and other debts comprising promissory notes and liability component of convertible bonds of approximately HK\$510,810,000 (31 March 2015: approximately HK\$521,317,000). All the bank borrowings were obtained on secured basis. The Group will try to obtain future financing, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 31 December 2015, the Group had cash and cash equivalents of approximately HK\$119,091,000 (31 March 2015 approximately HK\$48,721,000) which were mainly denominated in HK\$ and RMB. To manage liquidity risk, management monitors forecasts of the Group’s liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

The capital commitment of RMB3,500,000 (equivalent to approximately HK\$4,426,000) as at 31 March 2015 for the further investment in 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”) has been settled during the nine months ended 31 December 2015. Save as aforesaid or as otherwise disclosed herein, the Group had no other material capital commitment as at 31 December 2015.

As at 31 December 2015, the gearing ratio for the Group was approximately 1.93 (31 March 2015: 2.27), calculated based on the total debts (comprising bank borrowings and other debts) of approximately HK\$515,585,000 over shareholder’s equity of approximately HK\$267,586,000. The debt ratio was approximately 0.68 (31 March 2015: approximately 0.75), calculated as total liabilities over total assets of the Group.

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

\* *English name is for identification purpose only.*

## CAPITAL STRUCTURE

The capital structure of the Group and fund raising activities during the nine months ended 31 December 2015 are summarised as follows:

### (i) Bank Borrowings

As at 31 December 2015, the bank borrowings denominated in RMB of approximately HK\$4,775,000 (31 March 2015: HK\$30,980,000) bears a fixed interest rate of 6.0% (31 March 2015: 6.7%) per annum and is secured by a corporate guarantee given by an independent third party at a fee charged.

As at 31 March 2015, a long-term bank borrowing denominated in approximately HK\$12,133,000 bore a floating interest rate and was secured by the Group's investment property and a corporate guarantee given by the Company, such loan had been fully settled by the proceeds received from the disposal of Foremost Star Group during the nine months ended 31 December 2015. In addition, the Group had another short-term bank borrowing of approximately HK\$30,980,000 denominated in RMB which bore a fixed interest rate of 6.7% per annum and was secured by a corporate guarantee given by an independent third party at a fee charged, which had been fully settled during the nine months ended 31 December 2015.

### (ii) Promissory Notes

As at 31 March 2015, the Company had 2 series of promissory notes issued as part of consideration for the acquisition of the Prima Finance Group outstanding. During the nine months ended 31 December 2015, an 8% promissory note in the principal amount of HK\$4,000,000 issued on 25 June 2014 and an 8% promissory note in the principle amount of HK\$15,000,000 issued on 6 February 2015 were early redeemed by the Company through use of the proceeds from the disposal of Foremost Star Group and Star Coal Group respectively. As at 31 December 2015, the Company had outstanding promissory notes in the principal amount of HK\$35,000,000 issued on 6 February 2015. Summary of the promissory notes are as follows.

Date of issue	Principal amount (HK\$)	Interest rate per annum	Principal repayment due date	Redeemed principal amount (HK\$)	Outstanding principal amount (HK\$)
25 June 2014	4,000,000	8%	25 June 2019	4,000,000	–
6 February 2015	50,000,000	8%	6 February 2020	15,000,000	35,000,000

**(iii) Convertible Bonds**

As at 31 March 2015, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of the Prima Finance Group outstanding. During the nine months ended 31 December 2015, convertible bonds in the principal amount of HK\$33,000,000 have been converted into new ordinary shares of the Company. Below is the summary of the movement of the convertible bonds during the nine months ended 31 December 2015.

<b>Date of issue</b>	<b>Principal amount (HK\$)</b>	<b>Maturity Date</b>	<b>Conversion Price per share</b>	<b>Amount converted into shares during the period (HK\$)</b>	<b>Balance (HK\$)</b>	<b>Number of Shares to be issued upon full conversion</b>
25 June 2014	420,200,000	24 June 2019	HK\$0.35	33,000,000	387,200,000	1,106,285,714
6 February 2015	236,000,000	5 February 2020	HK\$0.35	–	236,000,000	674,285,714

#### (iv) Subscription of New Shares Under Existing General Mandate

The Group has raised fund via issue of new shares under the subscription agreement during the nine months ended 31 December 2015.

Details of the subscription of shares during the nine months ended 31 December 2015 and the use of the proceeds are set as below:

<b>Date and particulars of the subscription</b>	<b>Net proceeds raised (approximately) (HK\$)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds (approximately)</b>
Subscription of 29,270,000 new shares under general mandate on 12 June 2015 at a subscription price of HK\$0.41 per share	11,870,000	(i) Payment of interest which due on 25 June 2015 for the promissory note in principal amount of HK\$4,000,000; and	(i) HK\$320,000 had been used for the settlement of interest of the promissory note and;
		(ii) as general working capital of the Group.	(ii) HK\$8,236,000 had been used as general working capital.

Details of the subscription of shares are set out in the announcements of the Company dated 12 June 2015 and 24 June 2015.

## SIGNIFICANT INVESTMENTS AND DISPOSALS OF SUBSIDIARIES

### Disposals

- (i) *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 entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Foremost Star to an independent third party at a consideration of HK\$52,000,000. The Foremost Star Group carried out all of the Group's property investments operation. Accordingly, the Group's property investments operation was classified as a discontinued operation. Details of the disposal are set out in the Company's announcements dated 9 June 2015 and 10 July 2015. The disposal was completed on 10 July 2015.

No significant fair value change in the investment property as indirectly owned by Foremost Star is recognised for the nine months ended 31 December 2015. (year ended 31 March 2015: Fair value loss of approximately HK\$51,000,000).

(ii) *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 disposal agreement to dispose of its entire equity interest and shareholder's loan of Star Coal to an independent third party at a consideration of HK\$54,000,000. The Star Coal Group carried out all of the Group's coal trading operation. Accordingly, the Group's coal trading operation was classified as a discontinued operation. Details of the disposal of the Star Coal Group are set out in the announcements of the Company dated 14 July 2015, 24 August 2015, 28 August 2015, 30 September 2015, 30 October 2015, 30 November 2015 and 31 December 2015 and the circular of the Company dated 6 August 2015. The disposal was completed on 31 December 2015.

### **Significant Investments**

During the nine months ended 31 December 2015, further capital injection of approximately HK\$4,085,000 (equivalent to RMB3,500,000) was made to Shenyang Hulian, a company which the Group holds 7% equity interest. Save as aforesaid or as otherwise disclosed herein, there was no other significant investment made during the nine months ended 31 December 2015.

### **CHARGE OF GROUP ASSETS**

As at 31 December 2015, the Group did not have any assets under charged while as at 31 March 2015, the Group's investment property with a carrying value of approximately HK\$50,000,000 was pledged to secure the long-term bank borrowings of the Group of approximately HK\$12,133,000.



## **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 December 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 December 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 December 2015, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

## **ADVANCE TO AN ENTITY**

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

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

\* *English name is for identification purpose only.*

## **EVENTS AFTER THE REPORTING PERIOD**

Reference is made to the announcements of the Company dated 13 January 2015, 23 January 2015, and 13 March 2015 (the “Announcements”) in relation to, among others, the acquisition of Sale Equity in the Auto-serve Group, which involves the issue of Consideration Shares under General Mandate. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

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

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

As at the date of this announcement, the Adjusted 2015 Earn Out Consideration Shares have not been allotted and issued.

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

## **EMPLOYEE INFORMATION AND REMUNERATION POLICY**

As at 31 December 2015, the Group employed a total of 229 employees (year ended 31 March 2015: 180). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees. Staff costs, excluding Directors' emoluments, for the nine months ended 31 December 2015 amounted to approximately HK\$19,869,000 (year ended 31 March 2015: approximately HK\$11,014,000).

The Company adopted the Share Option Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the Share Option Scheme during the nine months ended 31 December 2015.

## **SHARE OPTION**

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the nine months ended 31 December 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 nine months ended 31 December 2015.

## **CONTINGENT LIABILITIES**

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

## **CORPORATE GOVERNANCE**

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

Throughout the nine months ended 31 December 2015, the Company had complied with all the code provisions set out in the 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.

Mr. Han Jianli was appointed as Chairman and chief executive officer of the Company (the “CEO”) from 1 January 2015 to 30 November 2015 and Mr. Zhang Wei was appointed as Chairman and CEO on 1 December 2015.

Given the size and that the Company’s and the Group’s current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

### **Code Provision A.2.7**

Code Provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

During the nine months ended 31 December 2015, Mr. Han Jianli, the chairman of the Company during the period from 1 Jan 2015 to 30 November 2015, did not held any meeting with the non-executive Directors (including independent non-executive directors) without the executive Directors present. Mr. Zhang Wei, the chairman of the Company appointed on 1 December 2015, has hold a meeting with independent non-executive Directors without the executive Directors present on 11 March 2016 to review the progress of the business projects and the direction of the Company’s business.

### **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.

Two non-executive Directors were not appointed for a fixed term. The bye-laws of the Company (the “Bye-laws”) 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 the Shareholders.

Mr. Du Hui and Mr. Chen Yihua, the independent non-executive Directors, were unable to attend the special general meeting of the Company held on 28 May 2015 as they had other important business engagement.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the “Model Code”). 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 nine months ended 31 December 2015.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group’s audited consolidated financial statements for the nine months ended 31 December 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.

## **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 nine months ended 31 December 2015.

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

Hong Kong, 11 March 2016

*As at the date of this announcement, the executive Directors are Mr. Zhang Wei, Mr. Wong Wai Sing and Mr. Han Jianli, and the independent non-executive Directors are Mr. Chen Yihua, Mr. Du Hui and Ms. Sze Sau Wan.*

*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>.*