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

**(formerly known as Ming Kei Holdings Limited 明基控股有限公司*)**

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

**(Stock Code: 8239)**

## ANNOUNCEMENT FOR INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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

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

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

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*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 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.*

* *For identification purposes*

The board of directors (the "**Board**") of the Company is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three (the "**Quarterly Period**") and six (the "**Interim Period**") months ended 30 September 2014 together with the comparative figures as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | **Unaudited Three months ended 30 September 2014 HK$'000** | 2013 HK$'000 | **Unaudited Six months ended 30 September 2014 HK$'000** | 2013 HK$'000 |
|---|---|---|---|---|---|
| Turnover | 4 | **47,084** | 22,869 | **69,073** | 48,261 |
| Cost of sales | | **(17,895)** | (20,726) | **(37,046)** | (43,981) |
| **Gross profit** | | **29,189** | 2,143 | **32,027** | 4,280 |
| Other income, and other gains and losses, net | 4 | **95** | 426 | **1,527** | 833 |
| Selling and distribution costs | | **(171)** | (172) | **(342)** | (343) |
| Administrative and other expenses | | **(14,767)** | (17,873) | **(24,187)** | (25,279) |
| Settlement loss on early redemption of promissory note | 17 | **(1,238)** | – | **(1,238)** | – |
| Gain on disposal of subsidiaries | 21 | **11,515** | – | **11,515** | – |
| Fair value loss on an investment property | 11 | **(38,000)** | – | **(41,000)** | – |
| Fair value gain on convertible bonds – contingent consideration | | **21,990** | – | **3,223** | – |
| Impairment loss on goodwill | 12 | **–** | – | **(262,546)** | – |
| Impairment loss on intangible assets | 13 | **(479)** | – | **(479)** | – |
| Impairment on loans to customers | | **(482)** | – | **(486)** | – |
| Finance costs | 6 | **(7,264)** | – | **(7,655)** | – |
| **Profit (Loss) before income tax** | 5 | **388** | (15,476) | **(289,641)** | (20,509) |
| Income tax | 7 | **(5,400)** | (364) | **(5,865)** | (572) |
| **Loss for the period** | | **(5,012)** | (15,840) | **(295,506)** | (21,081) |
| **Attributable to:** | | | | | |
| Owners of the Company | | **(5,644)** | (15,936) | **(296,263)** | (21,272) |
| Non-controlling interests | | **632** | 96 | **757** | 191 |
| | | **(5,012)** | (15,840) | **(295,506)** | (21,081) |
| **Loss per share attributable to owners of the Company** | 9 | | | | |
| Basic and diluted (in Hong Kong cents) | | **(0.58)** | (2.46) | **(35.48)** | (3.47) |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited Three months ended 30 September | | Unaudited Six months ended 30 September | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Loss for the period** | **(5,012)** | (15,840) | **(295,506)** | (21,081) |
| Other comprehensive income: | | | | |
| *Items that may be/have been reclassified subsequently to profit or loss:* | | | | |
| – Exchange differences on translation of financial statements of overseas subsidiaries | **2,294** | 53 | **2,609** | 183 |
| – Reclassification adjustment of exchange reserves on disposal of interests in overseas subsidiaries | **(1,356)** | – | **(1,356)** | – |
| Other comprehensive income for the period, net of income tax | **938** | 53 | **1,253** | 183 |
| **Total comprehensive losses for the period** | **(4,074)** | (15,787) | **(294,253)** | (20,898) |
| **Attributable to:** | | | | |
| **Owners of the Company** | **(4,751)** | (15,883) | **(295,055)** | (21,089) |
| **Non-controlling interests** | **677** | 96 | **802** | 191 |
| | **(4,074)** | (15,787) | **(294,253)** | (20,898) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **Unaudited As at 30 September 2014 HK$'000** | Audited As at 31 March 2014 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **2,408** | 10,157 |
| Investment property | 11 | **60,000** | 101,000 |
| Intangible assets | 13 | **204,120** | 36,287 |
| Goodwill | 12 | **446,506** | – |
| Available-for-sale financial assets | | **4,414** | – |
| Other assets | | **1,087** | – |
| Deferred tax assets | | **1,854** | – |
| | | **720,389** | 147,444 |
| **Current assets** | | | |
| Loans to customers, net | 14 | **319,111** | – |
| Trade receivables | 15 | **56,945** | 43,779 |
| Refundable deposits | | **19,408** | 27,192 |
| Prepayments, deposits and other receivables | | **23,954** | 10,255 |
| Tax recoverable | | **–** | 84 |
| Cash and cash equivalents | | **89,004** | 1,381 |
| Total current assets | | **508,422** | 82,691 |
| **Current liabilities** | | | |
| Trade payables | 16 | **44,512** | 33,779 |
| Accrued expenses, other payables and deposits received | | **13,347** | 17,297 |
| Amount due to a non-controlling interest of a subsidiary | | **1,950** | 1,950 |
| Amount due to a related company | | **–** | 60 |
| Tax payable | | **7,022** | 251 |
| Bank loans | | **31,314** | – |
| Convertible bonds – contingent consideration | 18 | **80,133** | – |
| Total current liabilities | | **178,278** | 53,337 |
| **Net current assets** | | **330,144** | 29,354 |
| **Total assets less current liabilities** | | **1,050,533** | 176,798 |
| **Non-current liabilities** | | | |
| Bank loans | | **11,483** | – |
| Deferred tax liabilities | | **47,986** | 5,987 |
| Promissory note | 17 | **28,316** | – |
| Convertible bonds – liability component | 18 | **296,964** | – |
| | | **384,749** | 5,987 |
| **Net assets** | | **665,784** | 170,811 |
| **Capital and reserves** | | | |
| Issued capital | 19 | **9,684** | 6,559 |
| Reserves | | **636,273** | 160,195 |
| **Equity attributable to owners of the Company** | | **645,957** | 166,754 |
| **Non-controlling interests** | | **19,827** | 4,057 |
| **Total equity** | | **665,784** | 170,811 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

***For the six months ended 30 September 2014***

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital (Unaudited) HK$'000 (Note 19) | Share premium (Unaudited) HK$'000 | Contributed surplus (Unaudited) HK$'000 | Capital reserve (Unaudited) HK$'000 | Convertible bonds equity reserve (Unaudited) HK$'000 | Exchange reserve (Unaudited) HK$'000 | Accumulated losses (Unaudited) HK$'000 | Total (Unaudited) HK$'000 | Non-controlling interests (Unaudited) HK$'000 | Total equity (Unaudited) HK$'000 |
| **At 1 April 2014** | **6,559** | **218,334** | **131,109** | **120,794** | **-** | **2,069** | **(312,111)** | **166,754** | **4,057** | **170,811** |
| Loss for the period | **-** | **-** | **-** | **-** | **-** | **-** | **(296,263)** | **(296,263)** | **757** | **(295,506)** |
| Other comprehensive income for the period | **-** | **-** | **-** | **-** | **-** | **1,208** | **-** | **1,208** | **45** | **1,253** |
| Total comprehensive losses for the period | **-** | **-** | **-** | **-** | **-** | **1,208** | **(296,263)** | **(295,055)** | **802** | **(294,253)** |
| Issue of new shares on placements | **445** | **19,233** | **-** | **-** | **-** | **-** | **-** | **19,678** | **-** | **19,678** |
| Issue of new shares on acquisition of subsidiaries | **2,680** | **182,240** | **-** | **-** | **-** | **-** | **-** | **184,920** | **-** | **184,920** |
| Issue of convertible bonds on acquisition of subsidiaries – equity component | **-** | **-** | **-** | **-** | **569,660** | **-** | **-** | **569,660** | **-** | **569,660** |
| Non-controlling interest arising from acquisition of subsidiaries | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **19,376** | **19,376** |
| Dividends paid to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(4,408)** | **(4,408)** |
| **At 30 September 2014** | **9,684** | **419,807** | **131,109** | **120,794** | **569,660** | **3,277** | **(608,374)** | **645,957** | **19,827** | **665,784** |

*For the six months ended 30 September 2013*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital (Unaudited) HK$'000 (Note 19) | Share premium (Unaudited) HK$'000 | Contributed surplus (Unaudited) HK$'000 | Capital reserve (Unaudited) HK$'000 | Convertible bonds equity reserve (Unaudited) HK$'000 | Exchange reserve (Unaudited) HK$'000 | Accumulated losses (Unaudited) HK$'000 | Total (Unaudited) HK$'000 | Non-controlling interests (Unaudited) HK$'000 | Total equity (Unaudited) HK$'000 |
| At 1 April 2013 | 5,045 | 192,038 | 131,109 | 120,794 | – | 1,910 | (251,054) | 199,842 | 4,648 | 204,490 |
| Loss for the period | – | – | – | – | – | – | (21,272) | (21,272) | 191 | (21,081) |
| Other comprehensive income for the period | – | – | – | – | – | 183 | – | 183 | – | 183 |
| Total comprehensive losses for the period | – | – | – | – | – | 183 | (21,272) | (21,089) | 191 | (20,898) |
| Issue of new shares on rights issue | 1,514 | 26,296 | – | – | – | – | – | 27,810 | – | 27,810 |
| At 30 September 2013 | 6,559 | 218,334 | 131,109 | 120,794 | – | 2,093 | (272,326) | 206,563 | 4,839 | 211,402 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Unaudited Six months ended 30 September **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | | **(22,694)** | (35,728) |
| Tax paid | | **(6,937)** | – |
| **Net cash used in operating activities** | | **(29,631)** | (35,728) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 10 | **(1,222)** | (10) |
| Purchase of other assets | | **(390)** | – |
| Purchase of available-for-sale financial assets | | **(4,402)** | – |
| Cash acquired upon the acquisition of subsidiaries | 20 | **95,694** | – |
| Proceeds from disposal of subsidiaries, net of cash disposed | 21 | **19,435** | – |
| **Net cash from (used in) investing activities** | | **109,115** | (10) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of new shares on placements | | **19,678** | 27,810 |
| Proceeds from new bank loans | | **13,000** | – |
| Repayment of bank loans | | **(217)** | – |
| Borrowing costs paid | | **(113)** | – |
| Dividends paid to non-controlling interests | | **(4,408)** | – |
| Repayment of principal of promissory notes | | **(20,000)** | – |
| **Net cash from financing activities** | | **7,940** | 27,810 |
| **Net increase (decrease) in cash and cash equivalents** | | **87,424** | (7,928) |
| **Cash and cash equivalents at beginning of period** | | **1,381** | 27,791 |
| **Effect of foreign exchange rate, net** | | **199** | 207 |
| **Cash and cash equivalents at end of period** | | **89,004** | 20,070 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| Cash and cash equivalents | | **89,004** | 20,070 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The Company principally engaged in investment holding and its subsidiaries (together the "**Group**") are principally engaged in (i) short-term financing services in the People's Republic of China (the "**PRC**"); (ii) property investment; and (iii) business of coal trading between the PRC and Indonesia.

Pursuant to a special resolution in relation to the proposed change of company name at the extraordinary general meeting held on 9 October 2014 and was approved by the Registrar of Companies in the Bermuda and Hong Kong on 14 October 2014 and on 4 November 2014 respectively, the Company's name was changed from Ming Kei Holdings Limited to Capital Finance Holdings Limited.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "**Interim Financial Statements**") of the Group for the three and six months ended 30 September 2014 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

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

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2014, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, HKAS and Interpretation issued by HKICPA. They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2014 (the "**Annual Report**").

### 2.2 PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention, except for investment property and convertible bonds – contingent consideration which are stated at fair value.

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

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

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current period. The directors have already commenced an assessment of the impact of these new and revised HKFRSs but are not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

## 3. SEGMENT INFORMATION

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

(a) The short-term financing services segment comprised pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in Beijing, the PRC;

(b) The coal trading segment comprised the business of coal trading in Hong Kong; and

(c) The property investment segment comprised investment in various properties for rental income purposes in Hong Kong.

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

### REPORTABLE SEGMENTS

The following tables present revenue, results and certain asset, liabilities and expenditure information for the Group's reportable segments for the six months ended 30 September 2014 and 2013.

| | Unaudited For the six months ended 30 September 2014 | | | |
|---|---|---|---|---|
| | **Short-term financing services HK\$'000** | **Coal trading HK\$'000** | **Property investment HK\$'000** | **Total HK\$'000** |
| **Segment revenue** | | | | |
| External sales and services and reportable segment revenue | **28,504** | **38,946** | **1,623** | **69,073** |
| **Reportable segment (loss) profit** | **(241,315)** | **1,431** | **(40,082)** | **(279,966)** |
| Impairment loss on goodwill | **(262,546)** | **–** | **–** | **(262,546)** |
| Impairment loss on intangible assets | **–** | **(479)** | **–** | **(479)** |
| Fair value loss on an investment property | **–** | **–** | **(41,000)** | **(41,000)** |
| Impairment on loans to customers | **(486)** | **–** | **–** | **(486)** |

| | Unaudited For the six months ended 30 September 2013 | | | |
|---|---|---|---|---|
| | Short-term financing services HK$'000 | Coal trading HK$'000 | Property investment HK$'000 | Total HK$'000 |
| **Segment revenue** | | | | |
| External sales and services and reportable segment revenue | – | 46,491 | 1,770 | 48,261 |
| **Reportable segment profit** | – | 2,292 | 1,059 | 3,351 |

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

| | **Unaudited Six months ended 30 September** | |
|---|---|---|
| | **2014 HK$'000** | 2013 HK$'000 |
| Loss before income tax | | |
| Reportable segment (loss) profit | **(279,966)** | 3,351 |
| Interest income on bank deposits | **1** | 2 |
| Gain on disposal of subsidiaries | **11,515** | – |
| Settlement loss on early redemption of promissory note | **(1,238)** | – |
| Fair value gain on convertible bonds – contingent consideration | **3,223** | – |
| Finance costs | **(7,655)** | – |
| Unallocated expenses | **(15,521)** | (23,862) |
| Consolidated loss before income tax | **(289,641)** | (20,509) |

| | Unaudited 30 September 2014 HK$'000 | Audited 31 March 2014 HK$'000 |
|---|---|---|
| **Segment assets** | | |
| Short-term financing services | **1,032,322** | – |
| Coal trading | **120,142** | 100,235 |
| Property investment | **61,859** | 102,581 |
| **Reportable segment asset** | **1,214,323** | 202,816 |
| Unallocated corporate asset | **14,488** | 27,319 |
| **Consolidated total asset** | **1,228,811** | 230,135 |
| **Segment liabilities** | | |
| Short-term financing services | **(40,475)** | – |
| Coal trading | **(59,656)** | (41,922) |
| Property investment | **(247)** | (1,005) |
| **Reportable segment liabilities** | **(100,378)** | (42,927) |
| Unallocated corporate liabilities | **(462,649)** | (16,397) |
| **Consolidated total liabilities** | **(563,027)** | (59,324) |

Except for the addition of the short-term financial services segment, there is no difference from the Annual Report in the basis of segmentation or in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

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

| | Unaudited Three months ended 30 September | | Unaudited Six months ended 30 September | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Turnover: | | | | |
| Short-term financing services income | **28,090** | – | **29,134** | – |
| Short-term financing services expenses | **(597)** | – | **(630)** | – |
| Short-term financing services income, net | **27,493** | – | **28,504** | – |
| Sales of goods | **18,853** | 21,984 | **38,946** | 46,491 |
| Rental income | **738** | 885 | **1,623** | 1,770 |
| | **47,084** | 22,869 | **69,073** | 48,261 |
| Other income, and other gains and losses, net: | | | | |
| Loss on disposal of property, plant and equipment | **(2)** | – | **(2)** | – |
| Interest income on bank deposits | **–** | – | **1** | 2 |
| Exchange (loss) gain, net | **(105)** | – | **19** | – |
| Sundry income | **202** | 426 | **1,509** | 831 |
| | **95** | 426 | **1,527** | 833 |

## 5. PROFIT(LOSS) BEFORE INCOME TAX

This is arrived at after charging the following:

| | Unaudited Three months ended 30 September | | Unaudited Six months ended 30 September | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cost of inventories sold | **17,895** | 20,726 | **37,046** | 43,981 |
| Depreciation | **321** | 427 | **614** | 887 |

## 6. FINANCE COSTS

| | Unaudited Three months ended 30 September | | Unaudited Six months ended 30 September | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Interest on bank loans | **113** | – | **113** | – |
| Effective interest on | | | | |
| – convertible bonds | **6,211** | – | **6,545** | – |
| – promissory notes | **940** | – | **997** | – |
| Interest expense for loan portfolio | **597** | – | **630** | – |
| | **7,861** | – | **8,285** | – |
| Less: interest expense included in turnover | **(597)** | – | **(630)** | – |
| | **7,264** | – | **7,655** | – |

## 7. INCOME TAX

| | Unaudited Three months ended 30 September | | Unaudited Six months ended 30 September | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Current tax – Hong Kong | | | | |
| Charge for the period | **(208)** | (364) | **(450)** | (572) |
| Current tax – PRC | | | | |
| Charge for the period | **(5,271)** | – | **(5,494)** | – |
| Deferred tax (Note 13) | **79** | – | **79** | – |
| | **(5,400)** | (364) | **(5,865)** | (572) |

Provision for Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the current and prior periods. According to the Enterprise Income Tax Law of the PRC, the income tax provision of the Group's operations in the PRC has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing legislations, interpretations and practices.

## 8. DIVIDEND

The Board does not recommend for payment of a dividend for the Interim Period (2013: HK$Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the current and prior periods attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the current and prior periods, as adjusted to reflect issue of new shares on rights issue, placements and on acquisition of subsidiaries. The calculation of diluted loss per share for the current and prior periods are based on the loss for the periods attributable to the owners of the Company, while the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issued during the periods, as used in the basic loss per share calculation, 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 current and prior periods, 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 as per share for the respective periods are the same.

The calculation of basic and diluted loss per share is based on:

| | **Unaudited Three months ended 30 September** | | **Unaudited Six months ended 30 September** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Loss** | | | | |
| Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculations | **(5,644)** | (15,936) | **(296,263)** | (21,272) |
| | **'000** | '000 | **'000** | '000 |
| **Shares** | | | | |
| Weighted average number of ordinary shares for basic and diluted loss per share calculations | **968,380** | 648,257 | **834,902** | 613,298 |

## 10. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group acquired property, plant and equipment of approximately HK$1,020,000 (2013: HK$Nil) through acquisition of subsidiaries which is set out in note 20. In addition, the Group also incurred expenditures on other property, plant and equipment with total cost of approximately HK$1,222,000 (2013: approximately HK$10,000). The Group has disposed of property, plant and equipment of approximately HK$9,378,000 (2013: HK$Nil) though disposal of subsidiaries which is set out in note 21. Apart from this, the Group did not have any significant disposal of property, plant and equipment.

## 11. INVESTMENT PROPERTY

The investment property of the Group was revalued on 30 September 2014 by B.I. Appraisals Limited, an independent firm of professionally qualified valuers on the existing use basis by taking into account the current passing rent and the reversionary income potential of the investment property if applicable. Fair value loss of approximately HK$41,000,000 (2013: HK$Nil) was attributable to the change in the expected future rental income.

## 12. GOODWILL

| | **Unaudited 30 September 2014 HK$'000** | Audited 31 March 2014 HK$'000 |
|---|---|---|
| Cost | | |
| At 1 April | **24,425** | 24,425 |
| Acquisition of subsidiaries (Note 20) | **707,813** | – |
| Exchange realignment | **1,969** | – |
| At 30 September/31 March | **734,207** | 24,425 |
| Accumulated impairment losses | | |
| At 1 April | **24,425** | 24,425 |
| Impairment losses for the period | **262,546** | – |
| Exchange realignment | **730** | – |
| At 30 September/31 March | **287,701** | 24,425 |
| **Net carrying amount** | **446,506** | – |

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 are collectively referred to as the "**CIFC Group**") and has been allocated to the coal trading cash generating unit (the "**Coal Trading CGU**").

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

Goodwill arising in the Interim Period related to the acquisition of Prima Finance Holdings Limited (the "**Target**") because the consideration paid for the acquisition effectively included amounts in relation to the benefits originated from fast growing pawn broker business, the business potential of the consulting business and the assembled workforce of the acquired business. 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 combination during the Interim Period has been allocated to a distinct short-term financing cash-generating unit ("**Short-term Financing CGU**") for impairment test. The Directors have engaged an independent valuer, Greater China Appraisal Limited ("**GCA**") to assist them to assess whether there is any impairment of goodwill in the Short-term Financing CGU. GCA has assessed the acquired business' business value (recoverable value) as well as discounted cash flows arising from the identifiable intangible assets and has also taken into consideration the historical performance and the financial performance of the acquired business and reviewed the reasonableness and appropriateness of the methodology and the key parameters and business assumptions adopted by the Directors.

The Group is of the opinion, based on the business value calculation, the Short-term Financing CGU are partially impaired (the "**Impairment-Goodwill**") by the amount of HK$262,546,000 as compared with their recoverable amounts as at 30 June 2014 and was charged to profit or loss during the Interim Period.

Key assumption used for business value calculation as at 30 June 2014 are as follows:

| | |
|---|---|
| – Effective interest rates | 19.8% – 38.6% |
| – Perpetual growth rate | 3.0% |
| – Post-tax discount rate per annum | 14.05% |

The Impairment-Goodwill is largely due to the increase in the fair value of the Initial Consideration and Contingent Consideration (as defined in note 20). As disclosed in the Circular-VSA (as defined in note 20), the fair value of the Initial Consideration and Contingent Consideration as at the valuation date of 30 May 2014 was approximately HK$744,401,000 and HK$52,545,000 respectively. The market price of shares of the Company has increased since 30 May 2014 and up to 25 June 2014 (the "**Completion Date**"). The fair value of the Initial Consideration and Contingent Consideration of approximately HK$1,091,079,000 and approximately HK$83,356,000 respectively at the date of completion of the acquisition was estimated by GCA, which has increased as a result of such increase in the market price of shares of the Company, which in turn has resulted in a substantial amount of goodwill recognised in connection with the acquisition.

During the Interim Period, the Group is of the opinion, with reference to a professional valuation performed by GCA as at 30 September 2014 on the similar basis with 30 June 2014 valuation, that the Short-term Financing CGU was not impaired as compared with their recoverable amounts as at 30 September 2014 and 30 June 2014.

## 13. INTANGIBLE ASSETS

| | The LOIs (as defined below) HK$'000 | Pawn Licence (as defined below) HK$'000 | Total HK$'000 |
|---|---|---|---|
| Cost: | | | |
| At 31 March 2014 (audited) and 1 April 2014 | 60,000 | – | 60,000 |
| Addition through acquisition of subsidiaries (Note 20) | – | 167,845 | 167,845 |
| Exchange realignment | – | 467 | 467 |
| **At 30 September 2014 (unaudited)** | 60,000 | 168,312 | 228,312 |
| Accumulated impairment losses: | | | |
| At 31 March 2014 (audited) and 1 April 2014 | 23,713 | – | 23,713 |
| Impairment losses for the period | 479 | – | 479 |
| **At 30 September 2014 (unaudited)** | 24,192 | – | 24,192 |
| **Carrying amount:** | | | |
| **At 30 September 2014 (unaudited)** | 35,808 | 168,312 | 204,120 |
| At 31 March 2014 (audited) | 36,287 | – | 36,287 |

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

Addition of intangible assets in the Interim Period are the operating licences ("**Pawn Licence**") of the Pawn Broker Business (as defined in the Circular-VSA) of the new business acquired during the Interim Period, and they are valued based on an Income Approach – Multi-period Excess Earnings Method. Multi-Period Excess Earnings Method ("**MPEEM**") is a derivative of the discounted cash flow ("**DCF**") method which is commonly adopted for the valuation of intangible assets. Using this technique, key valuation assumptions include discount rate, indefinite useful life of Pawn Licence, contributory asset charges, etc. GCA estimates the future economic benefits attributed to the Pawn Licence. Such future economic benefits are then discounted at a rate which reflects all business risks in relation to the pawn licence. To estimate the economic benefits, the revenues for the Pawn Licence are projected over their useful lives. Based on the projected revenues, the costs associated with supporting the Pawn Licence 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 Licence. The contributory asset charges include returns on the assets that are used or used up in generating the profit of the Pawn Licence. Examples of such assets include fixed assets and assembled workforce.

## IMPAIRMENT TESTING OF THE COAL TRADING CGU

The recoverable amount of the Coal Trading CGU, which includes the LOIs, as at 30 September 2014 was assessed by the Directors by reference to a professional valuation performed by GCA.

The recoverable amount of the Coal Trading CGU is determined based on a fair value less costs to sell (31 March 2014: value in use) calculation using a cash flow projection according to the financial budgets approved by management for the next 2.25 (31 March 2014: 3) years and extrapolates cash flows beyond the projected periods with the key assumptions stated below:

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

| | |
|---|---|
| — Growth in revenue year-on-year during the projected period | No growth |
| — Post tax discount rate per annum | 12.91% |
| — Budgeted gross margin | 5.0% |
| — Perpetual growth rate per annum | 2.5% |

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.

The recoverable amount of the Coal Trading CGU determined using the above basis fell below its carrying amount, which includes the LOIs, as at 30 September 2014 by HK$400,000 (2013: HK$Nil), resulting in impairment on the intangible assets representing the LOIs by the amount of HK$479,000 (2013: HK$Nil) which has been charged to profit or loss for the Interim Period, and the corresponding decrease in related deferred tax liabilities in the amount of HK$79,000 (2013: HK$Nil). The above impairment losses are mainly attributable to the decrease in the estimated future profitability of the Coal Trading CGU as a result of a decrease in the expected gross profit on the trading of coal and increasing risks associated with the business and operations of the Coal Trading CGU, and decrease of growth rate in line with the business environment of the industry.

## IMPAIRMENT TESTING OF THE PAWN LICENCE

The carrying amount of the Pawn Licence has been included in the impairment assessment of goodwill as detailed in note 12.

During the Interim Period, the Group is of the opinion that the net carrying amount of the Pawn Licence of the Short-term Financing CGU was not impaired as compared with their recoverable amounts as at 30 September 2014.

## 14. LOANS TO CUSTOMERS

| | **Unaudited 30 September 2014 HK$'000** | Audited 31 March 2014 HK$'000 |
|---|---|---|
| Loans to customers, gross | **327,432** | – |
| Less: Impairment allowances | **(8,321)** | – |
| Loans to customers, net | **319,111** | – |

### AGEING ANALYSIS

Ageing analysis of loans to customers (before impairment losses) is prepared based on contractual due date.

| | **Unaudited 30 September 2014 HK$'000** | Audited 31 March 2014 HK$'000 |
|---|---|---|
| Neither past due nor impaired | **299,157** | – |
| Less than 1 month past due | **14,631** | – |
| 1 to 3 months past due | **9** | – |
| 4 to 6 months past due | **–** | – |
| 7 to 12 months past due | **10,558** | – |
| Overdue over 12 months | **3,077** | – |
| | **327,432** | – |

The loans to customers are arising from the Group's pawn loan business and micro-financing business. The loan periods mainly granted to customers range from one month to one year.

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

Included in the Group's loans to customers, which were past due as at the reporting date, for which the Group has not provided for impairment loss as the Group considered that the loans to customers are effectively secured by underlying assets with fair value of not less than the outstanding amount of the loans.

## 15. TRADE RECEIVABLES

(i) The ageing analysis of the Group's trade receivables as at the end of reporting period, based on invoice date, is as follows:

| | Unaudited<br>30 September<br>2014<br>HK$'000 | Audited<br>31 March<br>2014<br>HK$'000 |
|---|---|---|
| Within 90 days | **18,865** | 20,106 |
| 91 to 180 days | **20,122** | 20,023 |
| 181 to 365 days | **17,958** | 3,650 |
| | **56,945** | 43,779 |

(ii) The Group normally allows an average credit term of 60-90 days (31 March 2014: 60-90 days) to its trade customers. For certain well-established customers with good repayment history and creditworthiness, the Group allows an average credit period beyond 90 days.

## 16. TRADE PAYABLES

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

| | Unaudited<br>30 September<br>2014<br>HK$'000 | Audited<br>31 March<br>2014<br>HK$'000 |
|---|---|---|
| Within 90 days | **17,921** | 18,849 |
| 91 to 180 days | **19,179** | 14,930 |
| 181 to 365 days | **7,412** | – |
| | **44,512** | 33,779 |

## 17. PROMISSORY NOTE

| | Notes | **Unaudited 30 September 2014 HK$'000** | Audited 31 March 2014 HK$'000 |
|---|---|---|---|
| Carrying value at beginning of the period/year | | **–** | – |
| Issued during the period/year | (i) | **46,081** | – |
| Early redemption during the period/year | (ii) | **(18,762)** | – |
| Accrued effective interest expense | 6 | **997** | – |
| Carrying value at end of the period/year | | **28,316** | – |

Note:

(i) During the Interim Period, promissory note in the aggregate principal amount of HK$50,000,000 was issued by the Company to the vendors of Prima Finance Holdings Limited as part of the acquisition consideration upon the completion of the Group's acquisition of Prima Finance Holdings Limited with a fair value of HK$46,081,000 as at the issue date, based on the professional valuation performed by GCA, details as set out in note 20. The promissory note bears interest of 8% per annum and matures 5 years from the date of issue. The effective interest rate of the promissory note was determined to be 8.93% per annum. The promissory note was classified under non-current liabilities and measured at amortised cost.

(ii) On 5 September 2014, the Company has exercised its right to early redeem promissory note with principal amount of HK$20,000,000. The book value of the promissory note redeemed was HK$18,762,000 and a settlement loss of HK$1,238,000 was charged to profit or loss of the Interim Period.

## 18. CONVERTIBLE BONDS

As part of the acquisition consideration upon the completion of the Group's acquisition of Prima Finance Holdings Limited, the Company has issued zero-coupon convertible bonds in the principal amount of HK$420,200,000 as part of the Initial Consideration (as defined in note 20) to the vendors of Prima Finance Holdings Limited (including HK$6,699,000 (face value) withheld by the Company as deferred convertible bond). Based on directors' assessment, the Company is also expected to issue zero-coupon convertible bonds in the principal amount of HK$40,653,000 as contingent consideration in 2015 which actual amount is subject to 2014 actual profit of Prima Finance Holdings Limited. Details of the acquisition are set out in note 20. The convertible bonds are payable in one lump sum on maturity of five years from date of issue. The convertible bonds are convertible into ordinary shares of HK$0.01 each of the Company at an initial conversion price of HK$0.35 per conversion share (subject to anti-dilutive adjustments) at any time between the seventh day after the date of issue of the auditors' certificate in relation to the relevant actual profit and the seventh day prior to the maturity date of the convertible bonds, provided that (i) no holder of the convertible bonds shall exercise the conversion right attached to the convertible bonds held by such holder if immediately after such conversion, resulting in the public float of the Company unable to meet the requirement under the GEM Listing Rules; and (ii) no conversion rights attached to the convertible bonds may be exercised, to the extent that following such exercise, a holder of the convertible bonds and parties acting in concert with it, taken together, will trigger a mandatory offer obligation under the Rule 26 of the Hong Kong Code on Takeovers and Mergers.

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

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

The amount of contingent convertible bonds to be issued is subject to the 2014 actual profit after tax of Prima Finance Holdings Limited, therefore the contingent consideration is classified as a financial liability, measured at fair value through profit or loss within the scope of HKAS 39 "Financial instruments: Recognition and measurement" issued by the HKICPA. Subsequent changes to the fair value of the contingent consideration will be recognised in profit or loss of the Group.

The valuation of the Contingent Consideration is valued by GCA in accordance with HKFRS 13 and is mainly based on the financial position of the Group, the trading price of the Company's shares, the latest financial information of the Target, the Target's financial performance forecast and other relevant indicators. Based on the Target's 2014 financial performance forecast, the directors estimate that HK$80,133,000 of the Contingent Consideration will be required by way of issuance of the Contingent Convertible Bonds with face value amounting HK$40,653,000 as at 30 September 2014. Trinomial Option Pricing Model is used for the valuation of Contingent Convertible Bonds.

The possible range of face value of the Contingent Consideration is between nil and HK$336,000,000, and possible range of the fair value of the Contingent Consideration is between nil and HK$555,485,000 approximately as at 30 September 2014.

## 19. SHARE CAPITAL

| | Unaudited 30 September 2014 | | Audited 31 March 2014 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| | **'000** | **HK$'000** | '000 | HK$'000 |
| **Authorised:** | | | | |
| Ordinary shares of HK$0.01 each | **10,000,000** | **100,000** | 10,000,000 | 100,000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares of HK$0.01 each | **968,380** | **9,684** | 655,880 | 6,559 |

Movement of the number of shares issued and the share capital during the Interim Period is as follows:

| | Note | **Number of shares** '000 | **Share Capital** HK$'000 |
|---|---|---|---|
| As at 31 March 2013 (audited) and 1 April 2014 | | 655,880 | 6,559 |
| Issue of new shares on placements | (i) | 44,500 | 445 |
| Issue of new shares on acquisition of subsidiaries | (ii) | 268,000 | 2,680 |
| As at 30 September 2014 (unaudited) | | 968,380 | 9,684 |

*Note:*

(i) During the Interim Period, 44,500,000 new ordinary shares of par value HK$0.01 each of the Company were issued under placements at a placing price of HK$0.45 each at an aggregate consideration of approximately HK$19,678,000 (net of issuing expenses), of which approximately HK$445,000 was credited to share capital and the remaining balance of approximately HK$19,233,000 was credited to the share premium account.

(ii) During the Interim Period, 268,000,000 new ordinary shares of par value HK$0.01 each of the Company was issued as part of the consideration in acquiring the entire interest in Prima Finance Holdings Limited. Details of the acquisition is set out in note 20. The fair value of the shares issued at the date of completion of acquisition is approximately HK$184,920,000, of which approximately HK$2,680,000 was credited to share capital and the remaining balance of approximately HK$182,240,000 was credited to the share premium account.

## 20. ACQUISITION OF SUBSIDIARIES

On 23 December 2013, the Company through its wholly-owned subsidiary, Star Capital Global Limited (the "**Purchaser**") entered into an acquisition agreement (the "**Acquisition Agreement**") with Exuberant Global Limited ("**Exuberant Global**"), Bustling Capital Limited ("**Bustling Capital**") and Time Prestige Holdings Limited ("**Time Prestige**"), together, being the vendors (the "**Vendors**") collectively holding the entire equity interest in the Target, for the acquisition (the "**Acquisition**") of the entire issued share capital ("**Sale Shares**") of the Target and the related sale loans (the "**Sale Loans**"), details of which are set out in the Company's circular dated 30 May 2014 (the "**Circular-VSA**").

Pursuant to the Acquisition Agreement, the maximum consideration is HK$900,000,000, which comprises the initial consideration (the "**Initial Consideration**") of HK$564,000,000 and the earn-out consideration (the "**Contingent Consideration**") of HK$336,000,000, all subject to adjustments, is to be satisfied as follows;

(i) a maximum of HK$100,000,000 by issue of the promissory notes (the "**Promissory Notes**") by the Company to Exuberant Global;

(ii) a maximum of HK$93,800,000 by allotment and issue of the 268,000,000 new ordinary shares of the Company (the "**Consideration Shares**") by the Company to the Vendors at the issue price of HK$0.35 per share;

(iii) a maximum of HK$656,200,000 by issue of the convertible bonds (the "**Convertible Bonds**") by the Company to the Vendors; and

(iv) a maximum of HK$50,000,000 in cash to Exuberant Global.

### THE INITIAL CONSIDERATION

The Initial Consideration of HK$564,000,000 shall be apportioned as follows:

(i) the consideration for the Sale Loans shall be equivalent to the face amount of the Sale Loans at the date of completion of the Acquisition on a dollar-for-dollar basis; and

(ii) the balance of the Initial Consideration after deducting (i) above shall be the initial consideration for the Sale Shares.

The Initial Consideration of HK$564,000,000 shall be satisfied upon completion of the Acquisition by the Company in the following manner:

(i) as to HK$50,000,000 by the issue of the Promissory Notes to Exuberant Global or its nominee(s);

(ii) as to HK$420,200,000 by allotment and issue of the Convertible Bonds to Exuberant Global, Bustling Capital and Time Prestige respectively or their respective nominee(s) in the amount of HK$255,630,000, HK$117,550,000 and HK$47,020,000 respectively; and

(iii) as to HK$93,800,000 by allotment and issue of 174,200,000, 67,000,000 and 26,800,000 Consideration Shares to Exuberant Global, Bustling Capital and Time Prestige respectively or their respective nominee(s) in the amount of HK$60,970,000, HK$23,450,000 and HK$9,380,000 respectively.

The Convertible Bonds in an amount up to HK$131,000,000 issued in (ii) above to Exuberant Global would be held by the Purchaser as a security for the fulfilment of the 2013 Target Profit as set out in the Circular-VSA. Deferred Convertible Bonds (as defined in the Circular-VSA) can be cancelled if the actual profit after tax of the Target does not meet certain target levels.

## THE CONTINGENT CONSIDERATION

The Contingent Consideration of HK$336,000,000 (if any) shall be paid in the following priority:

(i) up to HK$236,000,000 (subject to the available remaining balance after the issue of the Early-paid Earn-Out Convertible Bonds as set out in the Circular-VSA) by allotment and issue of the Convertible Bonds (the "**Contingent Convertible Bonds**") to Exuberant Global or its nominee(s);

(ii) up to HK$50,000,000 by cash to Exuberant Global or its nominee(s); and

(iii) up to HK$50,000,000 by the issue of the Promissory Notes to Exuberant Global or its nominee(s).

According to the Acquisition Agreement, the Contingent Consideration will only be paid if the Target is able to attain certain agreed levels of profit after tax for the year ended 31 December 2013 and the year ending 31 December 2014 collectively.

Further details of the Acquisition, the Initial Consideration and Contingent Consideration are set out in the announcement (the "**Announcement-VSA Completion**") and Circular-VSA of the Company dated 25 June 2014 and 30 May 2014 respectively.

On 25 June 2014, the Acquisition was completed and the fair values of consideration transferred/transferrable are as follows:

| | HK$'000 |
|---|---|
| **Initial Consideration** | |
| – Promissory Notes | 46,081 |
| – Consideration Shares | 184,920 |
| – Convertible Bonds | 860,078 |
| | 1,091,079 |
| **Contingent Consideration** | |
| – Contingent Convertible Bonds | 83,356 |
| **Total consideration** | 1,174,435 |

The Directors have engaged an independent valuer, GCA to determine the fair value of the Initial Consideration – Promissory Notes, Consideration Shares and Convertible Bonds, and Contingent Consideration to be recognised, in accordance with HKFRS 13 "Fair Value Measurement" issued by the HKICPA. Fair value is defined in HKFRS 13 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". GCA has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

The fair value of the Promissory Notes and Convertible Bonds included in the Initial Consideration is valued by Trinomial Option Pricing Model. Key valuation parameters include discount rates (for both Promissory Notes and Convertible Bonds), volatility (for Convertible Bonds only) and spot share price and conversion price (for Convertible Bonds only). The fair value of the Consideration Shares included in the Initial Consideration is valued based on last traded price of shares as of 25 June 2014.

Based on the 2013 actual profit of the Target, the Directors consider part of the Convertible Bonds of approximately HK$6,699,000 (face value) as covered by the Initial Consideration would need to be withheld by the Company as Deferred Convertible Bonds according to terms of the Acquisition Agreement. However, the Directors have made an assessment about the Target's 2014 profit forecast and consider it is appropriate to assume such Deferred Convertible Bonds would need to be fully settled in 2015.

The amount of Contingent Convertible Bonds to be issued is subject to the 2014 actual profit after tax of the Target, therefore the Contingent Consideration is classified as a financial liability, measured at fair value through profit or loss within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA. Subsequent changes to the fair value of the Contingent Consideration will be recognised in profit or loss of the Group.

The valuation of the Contingent Consideration is valued by GCA in accordance with HKFRS 13 and is mainly based on the financial position of the Group, the trading price of the Company's shares, the latest financial information of the Target, the Target's financial performance forecast and other relevant indicators. Based on the Target's 2014 financial performance forecast, the Directors estimate that HK$83,356,000 of the Contingent Consideration will be required by way of issuance of the Contingent Convertible Bonds with face value amounting HK$40,653,000. No Promissory Notes or cash will need to be issued/paid. Trinomial Option Pricing Model is used for the valuation of Contingent Convertible Bonds.

On 25 June 2014, the net identifiable assets acquired and liabilities assumed, at fair value of the Target are as follows:

| | HK$'000 |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 1,020 |
| Intangible assets | 167,845 |
| Other assets | 695 |
| Deferred tax assets | 1,849 |
| **Current assets** | |
| Prepayments, deposits and other receivables | 5,636 |
| Amounts due from related parties | 4,349 |
| Loans to customers, net | 293,482 |
| Cash and cash equivalent | 95,694 |
| **Current liabilities** | |
| Bank loans | (29,931) |
| Accrued expenses, other payables and deposits received | (4,832) |
| The Sale Loans | (5,000) |
| Current income tax liabilities | (7,848) |
| **Non-current liabilities** | |
| Deferred tax liabilities | (41,961) |
| | 480,998 |
| Net identifiable assets acquired and liabilities assumed, at fair value | 480,998 |
| 100% fair value of the Sale Loans | 5,000 |
| Non-controlling interests | (19,376) |
| Goodwill arising from the Acquisition (Note 12) | 707,813 |
| | 1,174,435 |
| Net cash inflow arising on acquisition: | |
| Cash and cash equivalent acquired of | 95,694 |

The Directors have engaged GCA to determine the fair value of the net tangible assets and intangible assets of the Target as well as the Sale Loans acquired, in accordance with HKFRS 13. GCA has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

Net tangible assets (i.e. other than intangible assets) refer to deferred tax liabilities and other net assets. For other net assets, their carrying values approximate their fair values as at 25 June 2014 given their short term in nature. For the deferred tax liabilities, it is associated with the identifiable intangible assets and is calculated using PRC corporate income tax rate of 25% on the fair value of the identifiable intangible assets.

The identifiable intangible assets are the Pawn Licence as set out in note 13.

With respect to the Sale Loans acquired, GCA has considered that its carrying value approximate its fair value because of its short term nature.

Goodwill arising from the Acquisition represents the excess of the fair value of the considerations to be paid by the Group over the fair value of identifiable intangible assets, net tangible assets and contingent liabilities (if any) of the Target.

## 21. DISPOSAL OF SUBSIDIARIES

On 5 September 2014, the Group disposed of (i) its 100% equity interests in Star Trading International Investment Company Limited ("**STII**") and its subsidiary (together referred to as the "**STII Group**"); and (ii) its aggregate advance owed by the STII Group (the "**STII Group Shareholder's Loan**"), to an independent third party at an aggregate cash consideration of HK$20,000,000 (collectively the "**Disposal**"). Further details of the completion of the Disposal are set out in announcement of the Company dated 5 September 2014. The net assets of the STII Group at the date of disposal were as follows:

| | HK$'000 |
|---|---|
| Property, plant and equipment | 9,378 |
| Prepayments, deposits and other receivables | 1 |
| Cash and cash equivalents | 176 |
| Accrued expenses and other payables | (103) |
| The STII Group Shareholder's Loan | (23,103) |
| Net liabilities of the STII Group | (13,651) |
| Assignment of the STII Group Shareholder's Loan | 23,103 |
| Reclassification adjustment of exchange reserve on disposal of interest in an overseas subsidiary | (1,356) |
| Direct costs incurred for disposal | 389 |
| Gain on disposal of subsidiaries | 11,515 |
| **Total consideration** | 20,000 |
| **Satisfied by:** | |
| Cash | 20,000 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration | 20,000 |
| Costs directly attributable to the disposal | (389) |
| Cash and cash equivalent balances disposed of | (176) |
| | 19,435 |

## 22. OPERATING LEASE COMMITMENTS

### (A) AS LESSOR

During the Interim Period, the Group leases its investment property under operating lease arrangement, with the lease negotiated for terms of two years. The terms of the lease generally also require the tenant to pay security deposit.

The Group had total future minimum lease receivables under non-cancellable operating lease with its tenant falling due as follow:

| | **Unaudited 30 September 2014 HK$'000** | Audited 31 March 2014 HK$'000 |
|---|---|---|
| Within one year | **133** | 1,903 |

### (B) AS LESSEE

The Group leases its office premises under operating lease arrangements where applicable, with lease negotiated for an initial term of 33 months. The lease does not include contingent rentals.

At 30 September 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **Unaudited 30 September 2014 HK$'000** | Audited 31 March 2013 HK$'000 |
|---|---|---|
| Within one year | **3,205** | 2,337 |
| In the second to fifth years, inclusive | **4,808** | 4,554 |
| | **8,013** | 6,891 |

## 23. CAPITAL COMMITMENT

At 30 September 2014, the Group had contracted capital commitment of HK$4,414,000 (31 March 2014: HK$Nil) in respect of investment in available-for-sale financial assets not provided for in this announcement.

## 24. FAIR VALUE MEASUREMENT

The fair value measurement of the Group's investment property and convertible bonds – contingent consideration have been categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The fair value of the investment property and convertible bonds – contingent consideration as at 30 September 2014 are a level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value.

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| **30 September 2014 (unaudited)** | | | | |
| **Recurring fair value measurement:** | | | | |
| Asset: | | | | |
| Investment property | **–** | **–** | **60,000** | **60,000** |
| Liability: | | | | |
| Convertible bonds – contingent consideration | **–** | **–** | **(80,133)** | **(80,133)** |
| | **–** | **–** | **(20,133)** | **(20,133)** |
| **31 March 2014 (audited)** | | | | |
| **Recurring fair value measurement:** | | | | |
| Asset: | | | | |
| Investment property | – | – | 101,000 | 101,000 |

During the Interim Period, there were neither transfers between level 1 and level 2 fair value measurement, nor transfers into or out of level 3 fair value measurement. The details of the movements of the recurring fair value measurement categorized as level 3 of the fair value hierarchy are as follows:

| | **Unaudited 30 September 2014** | | | Audited 31 March 2014 | | |
|---|---|---|---|---|---|---|
| | **Investment property HK$'000** | **Convertible bonds – contingent consideration HK$'000** | **Total HK$'000** | Investment property HK$'000 | Convertible bonds – contingent consideration HK$'000 | Total HK$'000 |
| At beginning of reporting period | **101,000** | **-** | **101,000** | 101,000 | – | 101,000 |
| Acquisition of subsidiaries | **-** | **(83,356)** | **(83,356)** | – | – | – |
| Changes in fair value | **(41,000)** | **3,223** | **(37,777)** | – | – | – |
| **At end of reporting period** | **60,000** | **(80,133)** | **(20,133)** | 101,000 | – | 101,000 |
| Change in unrealised gains for the period included in profit or loss for assets held at end of reporting period | **(41,000)** | **3,223** | **(37,777)** | – | – | – |

The fair value of the investment property as at 30 September 2014 is determined using investment method by taking into account the current passing rent and the reversionary income potential of the investment property if applicable.

The convertible bonds – contingent consideration was valued on 30 September 2014 by GCA. The valuation of the Contingent Consideration is valued by GCA in accordance with HKFRS 13 and is mainly based on the financial position of the Group, the trading price of the Company's shares, the latest financial information of the Target, the Target's financial performance forecast and other relevant indicators.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) short-term financing services in the PRC; (ii) property investment; and (iii) business of coal trading between the PRC and Indonesia.

The Group recorded total turnover of approximately Hong Kong dollar ("**HK$**") 69,073,000 (2013: approximately HK$48,261,000) for the Interim Period representing an increase of approximately HK$20,812,000 over the corresponding prior period. The new short-term financing services business generated additional and steady income of approximately HK$28,504,000 (2013: Nil). Since then, the gross profit of the Group was improved to approximately HK$32,027,000 for the Interim Period (2013: approximately HK$4,280,000).

The Group has recorded an one-off gain of HK$11,515,000 (2013: Nil) arising from the disposal of the STII Group, which has been completed on 5 September 2014.

The selling and distribution costs for the Interim Period was similar to the last corresponding period of approximately HK$342,000 (2013: approximately HK$343,000), which were arising from the coal trading business.

The administrative and other expenses for the Interim Period decreased by approximately HK$1,092,000 to approximately HK$24,187,000 (2013: approximately HK$25,279,000) was mainly due to the payment of legal and professional fees of approximately HK$2,850,000 for the acquisition of the new short-term financing services business in the last corresponding period. The decrease was partly offset by the inclusion of the new short-term financing service business in the Interim Period.

The substantial loss attributable to the owners of the Company for the Interim Period was approximately HK$296,263,000 (2013: approximately HK$21,272,000) was mainly due to the (i) Impairment-Goodwill; (ii) settlement loss on early redemption of promissory note; (iii) non-cash fair value loss on an investment property; and (iv) increase in effective interest expense on convertible bonds and promissory notes issued in the Interim Period. The above mentioned impairment loss, fair value losses and effective interest expenses are non-cash adjustments and will not affect working capital sufficiency of the Group.

### Coal Trading Business

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

Pursuant to the Indonesia Circular, given the LOIs, existing coal trading business will continue and provide a steady source of income and positive impact on the earnings to the Group. The Board has remained positive about the future prospect of the existing coal trading business in long run in view of stable business relationship with its customer or supplier. The Group will continue monitoring the sale price of steam coal as well as the controls over costs and related expenses towards the coal trading operations to ensure its continued profitability.

The decrement of turnover and reportable segment profit of coal trading business by approximately HK$7,545,000 to approximately HK$38,946,000 (2013: approximately HK$46,491,000) and approximately HK$861,000 to approximately HK$1,431,000 (2013: approximately HK$2,292,000) was due to the reduction in selling price per metric tonne of coal sold and the reduction in the average positive price gap between the purchase price and the selling price.

## Property Investment

The property investment segment continued to generate steady rental income of HK$1,623,000 (2013: HK$1,770,000). Although the segment results recorded a loss of approximately HK$40,082,000 due to non-cash fair value loss (the "**FV Loss-IP**") on investment property of approximately HK$41,000,000, the reportable segment profit before the FV Loss-IP was approximately HK$918,000. The FV Loss-IP is non-cash in nature and has no impact on the operating cash flows of the Group.

The investment property located in Tuen Mun was valued at HK$60,000,000 on 30 September 2014 (31 March 2014: HK$101,000,000) in accordance with the valuation performed by an independent valuer. The decrease in valuation was mainly due to the decrease in rental rate in the area as a result of oversupply of industrial premises in the area. The decrease in valuation is one-off and the management considers the property investment segment may continue to provide steady income to the Group.

## Short-term Financing Services

The Group has recorded losses for the last five consecutive financial years. For the two years ended 31 March 2013 and 2014, the Group recorded consolidated loss for the year from the continuing operations of approximately HK$25,207,000 and approximately HK$61,646,000 respectively. In view of the unsatisfactory performance of the Group and as part of the business plan as stated in the annual report of the Company for the year ended 31 March 2014, the Group has been exploring and evaluating new businesses and investment opportunities which could be of good potential and/or long-term benefits to the Group and the Shareholders.

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

During the Interim Period, the turnover of short-term financing services business was approximately HK$28,504,000. Although the segment results of the short-term financing services recorded a loss (the "**Segmental Loss**") of approximately HK$241,315,000 due to the Impairment-Goodwill of approximately HK$262,546,000 and the non-cash impairment (the "**Impairment-Loans to Customers**") on loan to customers of approximately HK$486,000, the reportable segment profit before the Impairment-Goodwill and Impairment-Loans to Customers was approximately HK$21,717,000. The Impairment-Goodwill and Impairment-Loans to Customers are non-cash in nature and do not have any impact on the operating cash flows of the Group and the Board remains positive on the prospects of the business of short-term financing services.

During the Interim Period, management of the Group determined that the Impairment-Goodwill of approximately HK$262,546,000 on the Short-term Financing CGU of short-term financing services segment containing goodwill. The Impairment-Goodwill is largely due to the increase in the fair value of the Initial Consideration and Contingent Consideration. As disclosed in the Circular-VSA, the fair value of the Initial Consideration and Contingent Consideration as at the valuation date of 30 May 2014 was approximately HK$744,401,000 and HK$52,545,000 respectively. The market price of shares of the Company has increased since 30 May 2014 and up to the Completion Date. The fair value of the Initial Consideration and Contingent Consideration of approximately HK$1,091,079,000 and approximately HK$83,356,000 respectively at the Completion Date as estimated by GCA, which has increased as a result of such increase in the market price of shares of the Company, which in turn has resulted in a substantial amount of goodwill in connection with the Acquisition.

## Normalised reportable segment results – short-term financing services

To better present the actual operating results by adding back the non-cash Impairment-Goodwill and Impairment-Loans to Customers of approximately HK$262,546,000 and HK$486,000 respectively, the Segmental Loss for the Interim Period has to be adjusted upward from approximately HK$241,315,000, under the best estimate by management, to a normalised profit of the short-term financing services for the Interim Period of approximately HK$21,717,000.

| | **For the six months ended 30 September 2014 HK$'000 (Unaudited)** |
|---|---|
| The Segmental Loss – short-term financing services | **(241,315)** |
| Add back: Impairment-Goodwill | **262,546** |
| Add back: Impairment-Loans to Customers | **486** |
| Underlying earnings before tax – short-term financing services | **21,717** |

The short-term financing services business has recorded a healthy growth in loans receivables since the Group acquired the business on 25 June 2014. Loans outstanding to customers (net of impairment loss) has increased by 8.7% from HK$293,482,000 on acquisition date to HK$319,111,000 at 30 September 2014. Management of the Group forecast demand for short-term finance continues to be strong over the remaining half year of 2014/15 especially during the holiday season of Chinese New Year.

Save as disclosed herein, there was no other significant investment held as at 30 September 2014, or plan for material investments or capital assets as at the date of this announcement, nor were there other material acquisitions and disposals of subsidiaries during the Interim Period.

### Prospects

Looking ahead, the Group is well-positioned to capitalise on the potential market growth for the short-term financing services business in Beijing and are optimistic about the long-term development of the short-term financing services business in Beijing, the implementation of business plan of the Prima Finance Group catering for the needs of the customers as well as the growth and prospects of the businesses of the Prima Finance Group. At the same time, our strategy on business diversification remains. We will also consider developing new businesses in short-term financing services while continuously seeking potential investment opportunities so as to maximize the returns for the Shareholders in a prudent and pragmatic manner.

## LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2014, the Group has bank borrowings of HK$42,797,000 (31 March 2014: Nil) denominated in Hong Kong dollars and Renminbi and other debt of HK$405,413,000 (31 March 2014: Nil) in Hong Kong dollars. The debt ratio, calculated as total liabilities over total assets of the Group as at 30 September 2014 was approximately 0.46 (31 March 2014: approximately 0.26).

The Group did not have any stand-by banking facilities at 30 September 2014 and 31 March 2014.

As at 30 September 2014, the Group had cash and cash equivalents (the "**Liquidity Resources**") of approximately HK$89,004,000 (31 March 2014: approximately HK$1,381,000) which are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. To manage liquidity risk, management monitors forecasts of the Group's liquidity reserve and cash and cash equivalent on the basis of expected cash flow. The Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

Save as disclosed in this announcement, the Group has no material capital expenditure commitments as at 30 September 2014.

## CAPITAL STRUCTURE

The total equity of the Company increased to approximately HK$665,784,000 on 30 September 2014 (31 March 2014: approximately HK$170,811,000), which was mainly attributable to the acquisition of short-term financing services business in the Interim Period.

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

In managing the Group's capital risk, management considers capital to include paid up capital from equity holders, reserves and retained earnings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain a strong capital base to support the development of its business and to support the Group's stability and growth.

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.

## FOREIGN EXCHANGE EXPOSURE

The majority of the Group's sales and purchases are denominated in the group entity's functional currency. Save as disclosed in this announcement, the Group has transactional currency exposures and were mainly arising from the exposure of exchange between United States dollars, Renminbi and Hong Kong dollars. Since the exchange rate of United States dollars against Hong Kong dollars is relatively stable during the year, the exposure on foreign exchange is insignificant. The Group is primarily exposed to foreign currency risk in Renminbi.

The Group has not implemented any foreign currency hedging policy at the moment. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate. As at 30 September 2014, 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.

## SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

On 23 December 2013, the Group entered into a conditional sale and purchase agreement in relation to the acquisition of Prima Finance Group at a maximum consideration of HK$900,000,000. The transaction is completed on 25 June 2014. Details are set out in note 20 of the Interim Financial Statement of this announcement, the Announcement-VSA Completion and the Circular-VSA.

On 5 September 2014, the Group has entered into a disposal agreement with Worldtrade Access Limited for the disposal of the entire issued share capital and shareholder loan of STII and its subsidiaries at a consideration of HK$20,000,000. The principal asset of STII Group is the interests in a property located in Shenzhen. Details are set out in note 21 of the Interim Financial Statements of this announcement.

## EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 September 2014, the Group employed a total of 88 employees (31 March 2014: 13). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The total employee remuneration, excluding Directors' remuneration, for the Interim Period amounted to approximately HK$4,227,000 (2013: approximately HK$2,354,000).

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2014.

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

As at 30 September 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**") which (i) were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Positions in the Shares of the Company ("Shares")

| Name of Director | Capacity | Number of ordinary shares held | Approximate percentage of shareholding in the Company |
|---|---|---|---|
| Mr. Wong Wai Sing ("**Mr. Wong**") | Beneficial owner | 214,400 | 0.02 |
| | Interest of controlled corporations (Note) | 3,985,676 (Note) | 0.41 |

Note: Mr. Wong is the chairman of the Company and an executive Director. 75,676 Shares are held by Ming Kei International Holding Company Limited (the "MKIH"), a company which is beneficially and wholly owned by Mr. Wong, the sole director of MKIH and 3,910,000 Shares are held by Twin Star Global Limited (the "TWGL"), a company which is 50% owned by Mr. Wong and Mr. Wong is also a director of TWGL. Accordingly, Mr. Wong is deemed to be interested in the 3,985,676 Shares.

Save for those disclosed above, as at 30 September 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the Exchange pursuant to the Model Code.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries by the Company, the Directors have confirmed that they have complied with the provisions of Model Code throughout the Interim Period.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 2 August 2012 (the "**New Scheme**") to replace the share option scheme adopted on 26 October 2002 (the "**Old Scheme**") which has been terminated on even date. No option has been granted or exercised under the New Scheme during the Interim Period. As at 30 September 2014 and 31 March 2014, there were no outstanding share options under the Old Scheme and New Scheme.

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

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

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 30 September 2014, the following companies had interests in more than 5% of the Company's issued share capital:

### LONG POSITION IN THE SHARES

| | Number of shares interested | | | |
|---|---|---|---|---|
| **Name of substantial shareholder** | **Direct interests** | **Deemed interests** | **Total interests** | **Percentage of the issued share capital of the Company** (Note 5) |
| Exuberant Global (Note 1) | 1,507,428,571 | – | 1,507,428,571 | 155.66 |
| Mr. Dai Di (Note 1) | – | 1,507,428,571 | 1,507,428,571 | 155.66 |
| Time Prestige (Note 2) | 161,142,857 | – | 161,142,857 | 16.64 |
| Mr. Dai Hao (Notes 2 and 3) | – | 563,999,999 | 563,999,999 | 58.24 |
| Bustling Capital (Note 3) | 402,857,142 | – | 402,857,142 | 41.60 |
| Ms. Jin Yu (Notes 2 and 3) | – | 563,999,999 | 563,999,999 | 58.24 |
| Silver Palm Limited (Note 4) | 71,428,571 | – | 71,428,571 | 7.38 |
| Mr. Wang Jia Sheng (Note 4) | – | 71,428,571 | 71,428,571 | 7.38 |

Notes:

1. The 1,507,428,571 Shares held by Exuberant Global represent the 174,200,000 Shares and 658,942,857 Conversion Shares to be issued upon full conversion of the convertible bonds, and a maximum of 674,285,714 Conversion Shares to be issued upon full conversion of the convertible bonds to be issued to Exuberant Global subject to the fulfilment of the profit achievement. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,507,428,571 Shares.

2. The 161,142,857 Shares held by Time Prestige represent the 26,800,000 Shares and 134,342,857 Conversion Shares to be issued upon full conversion of the convertible bonds. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital.

3. The 402,857,142 Shares held by Bustling Capital represent the 67,000,000 Shares and 335,857,142 Conversion Shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin. Accordingly, Ms. Jin is deemed to be interested in the 402,857,142 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin is also deemed to be interested in the 161,142,857 Shares held by Time Prestige.

4. The 71,428,571 Shares held by Silver Palm Limited (the "**Silver Palm**") represents the 71,428,571 conversion Shares to be issued upon full conversion of the convertible bonds. Silver Palm is wholly and beneficially owned by Mr. Wang Jia Sheng ("**Mr. Wang**"). Accordingly, Mr. Wang is deemed to be interested in the 71,428,571 Shares. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Wang is an independent third parties, parties which are not connected persons of the Company (as defined in the GEM Listing Rules) and are independent of and not connected with the Company and its connected persons.

5. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 September 2014.

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above) who, as at 30 September 2014, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

## INTERESTS IN A COMPETING BUSINESS

As at 30 September 2014, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or might compete with the business of the Group, or have any other conflict of interests with the Group.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## CHANGE OF THE COMPANY NAME

Pursuant to a special resolution in relation to the proposed change of company name at the extraordinary general meeting held on 9 October 2014 and was approved by the Registrar of Companies in the Bermuda and Hong Kong on 14 October 2014 and on 4 November 2014 respectively, the Company's name was changed from the Ming Kei Holdings Limited (Chinese translation being 明基控股有限公司, for identification purpose only) to Capital Finance Holdings Limited (Chinese translation being 首都金融控股有限公司, for identification purpose only).

## CORPORATE GOVERNANCE PRACTICES

Throughout the Interim Period, the Company has been fully compliant with all the code provisions set out in Appendix 15 Corporate Governance Code (the "**CG Code**") of the GEM Listing Rules with the exception of the following deviations:

## CODE PROVISION A.4.1

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

## DEVIATION

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

## CODE PROVISION A.6.7

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

## DEVIATION

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

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 9 October 2014 as they had other important business engagement.

## CODE PROVISION E.1.2

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

## DEVIATION

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

## CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors since the date of the Annual Report are set out below:

On 31 July 2014,

1. Mr. Ho Pui Tin, Terence has retired as executive Director by rotation and has resigned as members of the Remuneration Committee. Mr. Ho, the executive Director, has retired by rotation at the AGM, has resigned as members of the Remuneration Committee and Nomination Committee, the Chief Executive Officer, the Compliance Officer and the Authorised Representative, and has been appointed as the Chief Operating Officer;

2. Mr. Kong Chi Keung has resigned as the Chief Operating Officer;

3. Mr. Han Jianli has been appointed as the Chief Executive Officer, member of the Nomination Committee and Compliance Officer;

4. Mr. Wong Wai Sing has been appointed as the Authorised Representative and the members of the Remuneration Committee and Nomination Committee; and

5. Mr. Chen Yihua has been appointed as the chairman of the Nomination Committee.

Save as disclosed above:

6. Mr. Tsang Ho Ka, Eugene has resigned as the Vice-Chairman and remain as the non-executive Director with effect from 31 July 2014, has resigned as a chairman and non-executive director of Sky Forever Supply Chain Management Group Limited (the "**Sky Forever**") *(formerly known as Rising Power Group Holdings Limited)*, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on GEM of Exchange (stock code: 8047) with effect from 13 June 2014 and 22 July 2014 respectively, has resigned as an executive director and authorized representative of Newtree Group Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued shares of which listed in the Main Board of the Exchange (stock code: 1323) with effect from 31 July 2014 and has been appointed as an independent non-executive director of Jiu Rong Holdings Limited *(formerly known as Mitsumaru East Kit (Holdings) Limited)*, a company incorporated in Cayman Islands with limited liability and the issued shares of which listed in the Main Board of the Exchange (stock code: 2358) with effect from 1 July 2014; and

7. Mr. Kwok Kam Tim has resigned as the chairman and remains a member of the Nomination Committee and has been appointed and resigned as an independent non-executive director of Sky Forever with effect from 13 June 2014 and 22 July 2014 respectively.

## AUDIT COMMITTEE

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

By order of the Board of
**Capital Finance Holdings Limited**
**Mr. Wong Wai Sing**
*Chairman and Executive Director*

Hong Kong, 12 November 2014

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

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

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