

CFHL

Capital Finance Holdings Limited

首都金融控股有限公司

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

(Stock Code: 8239)



擴展迎未來

Expand for
Future Growth

Interim Report
2015/16

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*This report, for which the directors (the “**Directors**”) of Capital Finance Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.*

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

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000
Continuing operations					
Turnover	4	45,463	27,493	85,633	28,504
Cost of services rendered		(1,005)	-	(1,525)	-
Gross profit		44,458	27,493	84,108	28,504
Other income, and other gains and (losses), net	4	1,744	(93)	3,275	1,151
Administrative and other expenses		(17,212)	(15,010)	(35,760)	(24,002)
Loss on early redemption of promissory notes	18(ii)	(273)	(1,238)	(273)	(1,238)
Gain on disposal of subsidiaries		-	11,515	-	11,515
Fair value gain on contingent consideration – convertible bonds	20	-	21,990	-	3,223
Fair value gain on contingent consideration – consideration shares	20	-	-	11,250	-
Impairment loss on goodwill		-	-	-	(262,546)
Reversal (Charge) of impairment on loans to customers	15(a)	231	(482)	(388)	(486)
Finance costs	5	(10,874)	(7,151)	(21,556)	(7,542)
Profit (Loss) before income tax from continuing operations		18,074	37,024	40,656	(251,421)
Income tax expense	7	(5,467)	(5,192)	(11,195)	(5,415)

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

	Notes	Three months ended 30 September		Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000
Profit (Loss) for the period from continuing operations		12,607	31,832	29,461	(256,836)
Discontinued operations					
Profit (Loss) for the period from discontinued operations	9	2,107	(36,844)	2,631	(38,670)
Profit (Loss) for the period		14,714	(5,012)	32,092	(295,506)
Attributable to:					
Owners of the Company		14,127	(5,644)	30,734	(296,263)
Non-controlling interests		587	632	1,358	757
		14,714	(5,012)	32,092	(295,506)
Earning (Loss) per share attributable to owners of the Company	10				
From continuing and discontinued operations					
– Basic (Hong Kong cents)		1.22	(0.58)	2.71	(35.48)
– Diluted (Hong Kong cents)		0.81	(0.58)	1.71	(35.48)
From continuing operations					
– Basic (Hong Kong cents)		1.04	3.23	2.48	(30.84)
– Diluted (Hong Kong cents)		0.74	1.32	1.62	(30.84)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Restated)		(Restated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (Loss) for the period	14,714	(5,012)	32,092	(295,506)
Other comprehensive (losses) income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translation of financial statements of overseas subsidiaries	(32,348)	2,294	(32,120)	2,609
– Reclassification adjustment of exchange reserves on disposal of interests in overseas subsidiaries	–	(1,356)	–	(1,356)
Total other comprehensive (losses) income for the period, net of income tax	(32,348)	938	(32,120)	1,253
Total comprehensive losses for the period	(17,634)	(4,074)	(28)	(294,253)
Attributable to:				
Owners of the Company	(17,616)	(4,751)	(787)	(295,055)
Non-controlling interests	(18)	677	759	802
	(17,634)	(4,074)	(28)	(294,253)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	3,977	3,319
Investment property	12	–	50,000
Intangible assets	14	179,837	223,435
Goodwill	13	219,861	228,648
Available-for-sale financial assets		8,511	4,426
Deferred tax assets		1,478	3,536
Total non-current assets		413,664	513,364
Current assets			
Loan to customers	15	379,996	428,304
Trade receivables	16	1,541	37,696
Refundable deposits		–	19,386
Prepayments, deposits and other receivables		23,983	10,507
Cash and cash equivalents		107,334	48,721
Assets of disposal group classified as held for sale	9(b)	123,321	–
Total current assets		636,175	544,614
Current liabilities			
Trade payables	17	–	34,806
Accrued expenses, other payables and deposits received		14,777	14,668
Amount due to a shareholder		14,000	50,000
Amount due to a non-controlling owner of a subsidiary		–	1,950
Tax payable		6,371	7,563
Interest-bearing borrowings		29,789	43,113
Current portion of contingent consideration – consideration shares		11,714	14,285
Liabilities of disposal group classified as held for sale	9(b)	70,885	–
Total current liabilities		147,536	166,385
Net current assets		488,639	378,229
Total assets less current liabilities		902,303	891,593
Non-current liabilities			
Deferred tax liabilities		44,959	52,815
Promissory notes	18	47,984	49,808
Convertible bonds – liability component	19	466,457	471,509
Contingent consideration – consideration shares		39,536	48,215
Total non-current liabilities		598,936	622,347
Net assets		303,367	269,246
Capital and reserves			
Issued capital	21	11,547	10,311
Reserves		273,069	238,837
Equity attributable to owners of the Company		284,616	249,148
Non-controlling interests		18,751	20,098
Total equity		303,367	269,246

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Reserves										
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2015 (Audited)	10,311	454,681	131,109	120,794	5,524	798,828	8,994	(1,281,093)	249,148	20,098	269,246
Profit for the period	-	-	-	-	-	-	-	30,734	30,734	1,358	32,092
Other comprehensive losses											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(31,521)	-	-	-	(31,521)	(599)	(32,120)
Total other comprehensive losses for the period	-	-	-	-	(31,521)	-	-	-	(31,521)	(599)	(32,120)
Total comprehensive income (losses) for the period	-	-	-	-	(31,521)	-	-	30,734	(787)	759	(28)
Transactions with owners											
<i>Contributions and distributions</i>											
Conversion of convertible bonds (Note 21 (vi))	943	68,180	-	-	-	(44,738)	-	-	24,385	-	24,385
Subscription of new shares (Note 21 (vii))	293	11,577	-	-	-	-	-	-	11,870	-	11,870
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,106)	(2,106)
Total transactions with owners	1,236	79,757	-	-	-	(44,738)	-	-	36,255	(2,106)	34,149
At 30 September 2015 (Unaudited)	11,547	534,438	131,109	120,794	(25,997)	754,090	8,994	(1,250,359)	284,616	18,751	303,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 September 2014

	Reserves								Equity attributable to owners of the Company	Non-controlling interests	Total
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	Statutory reserve	Accumulated losses			
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 April 2014 (Audited)	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 (losses)											
<i>Items that may be reclassified subsequently to profit or loss</i>											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	2,564	-	-	-	2,564	45	2,609
- Reclassification adjustment of exchange reserves on disposal of interests in overseas subsidiaries	-	-	-	-	(1,356)	-	-	-	(1,356)	-	(1,356)
Total other comprehensive income for the period	-	-	-	-	1,208	-	-	-	1,208	45	1,253
Total comprehensive income (losses) for the period	-	-	-	-	1,208	-	-	(296,263)	(295,055)	802	(294,253)
Transactions with owners											
<i>Contributions and distributions</i>											
Issue of new shares on the May 2014 Placement (Note 21 (i))	445	19,233	-	-	-	-	-	-	19,678	-	19,678
Issue of new shares on acquisition of subsidiaries (Note 21 (ii))	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)
Total transactions with owners	3,125	201,473	-	-	-	569,660	-	-	774,258	14,968	789,226
At 30 September 2014 (Unaudited)	9,684	419,807	131,109	120,794	3,277	569,660	-	(608,374)	645,957	19,827	665,784

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended	
		30 September	
		2015	2014
	Notes	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Cash from (used in) operations		35,040	(22,694)
Interest received		350	–
Income taxes paid		(12,407)	(6,937)
Net cash from (used in) operating activities		22,983	(29,631)
INVESTING ACTIVITIES			
Cash acquired upon acquisition of subsidiaries		–	95,694
Investment in available-for-sale financial assets		(4,085)	(4,402)
Proceeds from disposal of subsidiaries, net of cash disposed	22	51,719	19,435
Purchases of other assets		–	(390)
Purchases of property, plant and equipment	11	(1,637)	(1,222)
Proceeds from disposal of property, plant and equipment		120	–
Net cash from investing activities		46,117	109,115
FINANCING ACTIVITIES			
Proceeds from issuance of new shares placements, net of issue costs		11,870	19,678
Proceeds from interest-bearing borrowings		–	13,000
Repayments of interest-bearing borrowings		(12,133)	(217)
Repayment of principal of promissory notes		(4,000)	(20,000)
Interest on interest-bearing borrowings		(216)	(113)
Dividends paid to non-controlling interests		(2,106)	(4,408)
Net cash (used in) from financing activities		(6,585)	7,940
Net increase in cash and cash equivalents		62,515	87,424
Cash and cash equivalents at beginning of period		48,721	1,381
Effect of foreign exchange rate changes, net		(3,759)	199
Cash and cash equivalents at end of period		107,477	89,004
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents		107,477	89,004
Analysis of cash and cash equivalents			
Continuing operations:			
Bank balances and cash		107,334	89,004
Discontinued operations:			
Bank balances and cash		143	–
		107,477	89,004

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

During the period, the Company is principally engaged in investment holding and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in (i) short-term financing services in the People's Republic of China (the "**PRC**") and Hong Kong; (ii) business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC. The Group was also engaged in (i) business of coal trading between the PRC and Indonesia; and (ii) property investments in Hong Kong which were discontinued during the period (Note 9).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of Preparation

The unaudited condensed consolidated interim financial statements of the Group for the three and six months ended 30 September 2015 (the "**Interim Financial Statements**") 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 2015, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, 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 2015 (the "**Annual Report**").

2.2 Principal Accounting Policies

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Principal Accounting Policies *(Continued)*

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

At the date of authorisation of the 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 of the Company (the “**Directors**”) have already commenced an assessment of the impact of these new and revised HKFRSs but are not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group’s results of operations and financial position.

Certain financial statements for the three and six months ended 30 September 2014 related to discontinued operations have been reclassified and restated to confirm with the current period’s presentation and accounting treatment.

3. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of the operating segments and to allocate resources to those segments.

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

- (a) The short-term financing services segment comprised pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in the PRC and Hong Kong;
- (b) Development and sales of software segment comprised development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC;
- (c) The coal trading segment comprised the business of coal trading between the PRC and Indonesia and the operation had been proposed to be disposed of by the Group during the current period. Accordingly, the coal trading segment was classified as a discontinued operation, details of which are set out in Note 9(b); and
- (d) The property investments segment comprised investment in various properties for rental income purposes. During the six months ended 30 September 2015, the Group entered into a disposal agreement with an independent third party, to dispose of the entire equity interest and shareholder’s loan of Foremost Star Investments Limited, an indirect wholly-owned subsidiary of the Company which through its wholly-owned subsidiary carried out all of the Group’s property investments operation. Accordingly, the property investments segment was classified as a discontinued operation, details of which are set out in Note 9(a). The disposal was completed on 10 July 2015.

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

3. SEGMENT INFORMATION (Continued)

Reportable Segments

The following tables present revenue, expenditure, results and assets and liabilities information for the Group's reportable segments for the six months ended 30 September 2015 and 2014.

(i) Business Segments

	Six months ended 30 September 2015						
	Continuing operations			Discontinued operations			
	Short-term financing services (Unaudited)	Development and sales of software (Unaudited)	Sub-total (Unaudited)	Property investments (Unaudited)	Coal trading (Unaudited)	Sub-total (Unaudited)	Consolidated (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
External sales and services and reportable segment revenue	74,623	11,010	85,633	-	29,093	29,093	114,726
Reportable segment profit (loss)	57,073	4,299	61,372	1,499	1,356	2,855	64,227
Impairment on loans to customers	(388)	-	(388)	-	-	-	(388)

	Six months ended 30 September 2014						
	Continuing operations			Discontinued operations			
	Short-term financing services (Unaudited)	Development and sales of software (Unaudited)	Sub-total (Unaudited)	Property investments (Unaudited)	Coal trading (Unaudited)	Sub-total (Unaudited)	Consolidated (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
External sales and services and reportable segment revenue	28,504	-	28,504	1,623	38,946	40,569	69,073
Reportable segment (loss) profit	(241,315)	-	(241,315)	(39,482)	1,262	(38,220)	(279,535)
Impairment loss on goodwill	(262,546)	-	(262,546)	-	-	-	(262,546)
Impairment loss on intangible assets	-	-	-	-	(479)	(479)	(479)
Fair value loss on an investment property	-	-	-	(41,000)	-	(41,000)	(41,000)
Impairment on loans to customers	(486)	-	(486)	-	-	-	(486)

3. SEGMENT INFORMATION (Continued)

Reportable Segments (Continued)

(i) Business Segments (Continued)

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

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Continuing operations		
Profit (Loss) before income tax		
Reportable segment profit (loss)	61,372	(241,315)
Interest income on bank deposits	-	1
Gain on disposal of subsidiaries	-	11,515
Loss on early redemption of promissory notes	(273)	(1,238)
Fair value gain on contingent consideration – consideration shares	11,250	-
Fair value gain on contingent consideration – convertible bonds	-	3,223
Finance costs	(21,556)	(7,542)
Unallocated corporate income and expenses, net	(10,137)	(16,065)
	40,656	(251,421)
Discontinued operations		
Profit (Loss) before income tax		
Reportable segment profit (loss)	1,210	(38,220)
Gain on disposal of subsidiaries	1,645	-
	2,855	(38,220)
Continuing and discontinued operations		
Profit (Loss) before income tax	43,511	(289,641)

3. SEGMENT INFORMATION (Continued)

Reportable Segments (Continued)

(i) Business Segments (Continued)

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Segment assets		
Short-term financing services	826,717	817,893
Development and sales of software	88,280	88,882
Property investments	-	51,175
Coal trading	123,321	95,452
Reportable segment assets	1,038,318	1,053,402
Unallocated corporate assets	11,521	4,576
Consolidated total assets	1,049,839	1,057,978
Segment liabilities		
Short-term financing services	(85,380)	(89,470)
Development and sales of software	(8,785)	(8,735)
Property investments	-	(28)
Coal trading	(70,885)	(55,208)
Reportable segment liabilities	(165,050)	(153,441)
Unallocated corporate liabilities	(581,422)	(635,291)
Consolidated total liabilities	(746,472)	(788,732)

(ii) Geographical Segments

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

	Six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Hong Kong	4,200	1,623
PRC	110,526	67,450
	114,726	69,073

4. TURNOVER, OTHER INCOME, AND OTHER GAINS AND (LOSSES), NET

	Three months ended 30 September		Six months ended 30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Turnover:				
Interest income from loans to customers	18,024	28,090	40,718	29,134
Financial consultancy income	20,539	-	34,937	-
Short-term financing services related expenses (Note 5)	(520)	(597)	(1,032)	(630)
Short-term financing services income, net	38,043	27,493	74,623	28,504
Development and sales of software	7,420	-	11,010	-
	45,463	27,493	85,633	28,504
Other income, and other gains and (losses), net				
Foreign exchange gain (loss), net	44	(105)	105	19
Interest income on bank deposits	224	-	350	1
Loss on disposal of property, plant and equipment	-	(2)	-	(2)
Sundry income	1,476	14	2,820	1,133
	1,744	(93)	3,275	1,151

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000
Continuing operations				
Effective interest expenses on:				
– Convertible bonds	9,784	6,211	19,333	6,545
– Promissory notes	1,090	940	2,223	997
Interest expenses on funds for loans to customers	520	597	1,032	630
	11,394	7,748	22,588	8,172
Less: Interest expenses included in turnover (Note 4)	(520)	(597)	(1,032)	(630)
	10,874	7,151	21,556	7,542
Discontinued operations				
Interest expenses on coal trading (Note 9)	58	113	216	113
	10,932	7,264	21,772	7,655

6. PROFIT (LOSS) BEFORE INCOME TAX

This is arrived at after charging the following:

	Three months ended 30 September		Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) (Restated) HK\$'000
Continuing operations				
Cost of services rendered	1,005	–	1,525	–
Depreciation of property, plant and equipment	398	321	743	614
Amortisation of intangible assets	293	10	595	10

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Current tax – PRC				
Charge for the period	5,384	5,271	11,125	5,494
Deferred tax credit	(73)	(79)	(149)	(79)
Under-provision in respect of prior years	156	–	219	–
	5,467	5,192	11,195	5,415
Discontinued operations				
Current tax – Hong Kong				
Charge for the period (Note 9)	98	208	224	450
	5,565	5,400	11,419	5,865

Provision for Hong Kong Profits Tax and PRC Enterprise Income Tax are calculated at 16.5% (2014: 16.5%) and 25% (2014: 25%), respectively, except for the PRC Enterprise Income Tax for the Group's operation in Lhasa which is calculated at 9% on the estimated assessable profits for the period, unless preferential tax treatments have been granted by the relevant tax authorities. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or places in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. DIVIDEND

The Board does not recommend for payment of a dividend for the Interim Period (2014: HK\$Nil).

9. DISCONTINUED OPERATIONS

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

(a) Property Investments Operation

On 9 June 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Foremost Star Investments Limited ("**Foremost Star**") to an independent third party at a consideration of HK\$2,000,000. Foremost Star together with its subsidiaries (collectively referred to as the "**Foremost Star Group**") carried out all of the Group's property investments operation. Accordingly the Group's property investments operation was classified as discontinued operations. Details of the disposal are set out in the Company's announcement dated 9 June 2015. The disposal was completed on 10 July 2015.

(b) Coal Trading Operation

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

The assets and liabilities attributable to the Star Coal Group which are expected to be sold within the next twelve months are classified as a disposal group held for sale and are separately presented in the unaudited condensed consolidated statement of financial position at 30 September 2015.

Subsequent to 30 September 2015 and up to the date of this report, the Group has received a deposit of HK\$15,000,000 as non-refundable deposit (the "**Deposit**") and such deposit will be applied to set off against part of the consideration of the disposal. In the event the completion does not take place, the Deposit will be forfeited in full.

The Directions expect that a gain on disposal of the Star Coal Group would be recognised at the effective date of the disposal. However, the financial effect cannot be reliably estimated up to the date of the issuance of this report.

9. DISCONTINUED OPERATIONS *(Continued)*

(b) Coal Trading Operation *(Continued)*

The major classes of assets and liabilities of the coal trading in the disposal group are as follow:

	As at 30 September 2015 (Unaudited) HK\$'000
Assets classified as held for sale	
– intangible assets (Note 14)	35,808
– trade receivables (Note 16)	65,494
– other current assets	22,019
Total assets of the disposal group	123,321
Liabilities directly associated with assets classified as held for sale:	
– trade payables (Note 17)	(62,305)
– other current liabilities	(6,630)
– amount due to a non-controlling owner of a subsidiary	(1,950)
Total liabilities of the disposal group	(70,885)
Total net assets of the disposal group	52,436

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

9. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations for the current and prior periods are analysed as follow:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2015	2014	2015	2014
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover		11,511	19,591	29,093	40,569
Cost of sales		(10,883)	(17,895)	(27,522)	(37,046)
Gross profit		628	1,696	1,571	3,523
Other gains and (losses), net		125	188	305	375
Selling and distribution expenses		(113)	(171)	(285)	(342)
Administrative and other expenses		(22)	243	(165)	(184)
Gain on disposal of subsidiaries	22	1,645	–	1,645	–
Fair value loss on an investment property		–	(38,000)	–	(41,000)
Impairment loss on intangible assets		–	(479)	–	(479)
Finance costs	5	(58)	(113)	(216)	(113)
Profit (Loss) before income tax		2,205	(36,636)	2,855	(38,220)
Income tax expense	7	(98)	(208)	(224)	(450)
Profit (Loss) for the period		2,107	(36,844)	2,631	(38,670)

Profit (Loss) before income tax from discontinued operations has been arrived at after charging the following:

	Three months ended 30 September		Six months ended 30 September	
	2015	2014	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Discontinued operations				
Cost of inventories sold	10,883	17,895	27,522	37,046

9. DISCONTINUED OPERATIONS (Continued)

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

	Six months ended 30 September	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash from (used in) operating activities	10,837	(2,212)
Net cash flow from investing activities	–	3,000
Net cash (used in) from financing activities	(12,133)	6,796
<hr/>		
Net (decrease) increase in cash and cash equivalents	(1,296)	7,584

Earning (Loss) per Share

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earning (Loss) per share from discontinued operations attributable to owners of the Company:				
Basic (Hong Kong cents)	0.18	(3.81)	0.23	(4.64)
<hr/>				
Diluted (Hong Kong cents)	0.07	(3.81)	0.09	(4.64)

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

10. EARNING (LOSS) PER SHARE

The calculations of basic earning (loss) per share for the current and prior periods are based on the profit (loss) for the periods attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the current and prior periods.

The calculations of diluted earning (loss) per share for the current and prior periods are based on the profit (loss) for the periods attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the current and prior periods and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for the 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 per share are equal.

For the current and prior periods, the diluted earning per share would reduce if the Company's outstanding convertible bonds were taken into account, as those convertible bonds had a dilutive effect to the basic earning per share and hence the potential dilutive shares is assumed in the computation of diluted earning per share.

(i) From Continuing and Discontinued Operations

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

	Three months ended 30 September 2015		Six months ended 30 September 2015	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000

Profit (Loss)

Profit (Loss) attributable to the owners of the Company, used in the basic earning (loss) per share calculation	14,127	(5,644)	30,734	(296,263)
Profit (Loss) attributable to the owners of the Company, used in the diluted earning (loss) per share calculation	23,911	(5,644)	50,067	(296,263)

	Three months ended 30 September 2015		Six months ended 30 September 2015	
	(Unaudited) '000	(Unaudited) '000	(Unaudited) '000	(Unaudited) '000

Shares

Weighted average number of ordinary shares for basic earning (loss) per share calculation	1,154,606	968,380	1,134,987	834,902
Weighted average number of ordinary shares for diluted earning (loss) per share calculation	2,935,177	968,380	2,922,257	834,902

10. EARNING (LOSS) PER SHARE (Continued)

(ii) From Continuing Operations

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

	Three months ended 30 September		Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)

Profit (Loss)

Profit (Loss) attributable to the owners of the Company, used in the basic earning (loss) per share calculation	12,020	31,270	28,103	(257,443)
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Profit (Loss) attributable to the owners of the Company, used in the diluted earning (loss) per share calculation	21,804	37,481	47,436	(257,443)
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	Three months ended 30 September		Six months ended 30 September	
	2015 (Unaudited) '000	2014 (Unaudited) '000	2015 (Unaudited) '000	2014 (Unaudited) '000

Shares

Weighted average number of ordinary shares for basic earning (loss) per share calculation	1,154,606	968,380	1,134,987	834,902
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Weighted average number of ordinary shares for diluted earning (loss) per share calculation	2,935,177	2,843,237	2,922,257	834,902
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11. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$1,637,000 (2014: approximately HK\$1,222,000) and the Group has disposed of property, plant and equipment of approximately HK\$538,000 (2014: Nil) during the Interim Period.

12. INVESTMENT PROPERTY

The investment property was revalued on 31 March 2015 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\$51,000,000 was attributable to the change in the expected future rental income for the year ended 31 March 2015. No fair value loss on investment property was recognised for the Interim Period because the Group has disposed of the entire equity interest and shareholder's loan of Foremost Star and its subsidiaries, which was engaged in property investments business, and the gain on disposal of Foremost Star, of approximately HK\$1,645,000 was recognised in the Interim Period.

13. GOODWILL

	Coal Trading CGU HK\$'000	Short-term Financing CGU HK\$'000	Software CGU HK\$'000	Total HK\$'000
Cost				
At 1 April 2014 (Audited)	24,425	–	–	24,425
Additions through acquisitions of subsidiaries	–	707,813	64,221	772,034
Exchange realignments	–	3,883	291	4,174
At 31 March 2015 (Audited)	24,425	711,696	64,512	800,633
At 1 April 2015 (Audited)	24,425	711,696	64,512	800,633
Transfer to assets of disposal group classified as held for sale	(24,425)	–	–	(24,425)
Exchange realignments	–	(27,353)	(2,480)	(29,833)
At 30 September 2015 (Unaudited)	–	684,343	62,032	746,375
Accumulated impairment losses				
At 1 April 2014 (Audited)	(24,425)	–	–	(24,425)
Impairment losses	–	(538,480)	(7,605)	(546,085)
Exchange realignments	–	(1,441)	(34)	(1,475)
At 31 March 2015 (Audited)	(24,425)	(539,921)	(7,639)	(571,985)
At 1 April 2015 (Audited)	(24,425)	(539,921)	(7,639)	(571,985)
Transfer to assets of disposal group classified as held for sale	24,425	–	–	24,425
Exchange realignments	–	20,752	294	21,046
At 30 September 2015 (Unaudited)	–	(519,169)	(7,345)	(526,514)
Net carrying amount				
At 30 September 2015 (Unaudited)	–	165,174	54,687	219,861
At 31 March 2015 (Audited)	–	171,775	56,873	228,648

13. GOODWILL (Continued)

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

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

Goodwill arising during the year ended 31 March 2015 related to the acquisition of the Prima Finance Group (as defined in the Annual Report) and the Auto-serve Group (as defined in the Annual Report) because the considerations paid for these acquisitions effectively included amounts in relation to the benefits originated from fast growing pawn broker business, business potential of the consulting business and the development and sales of software business, expected synergies, future market development and the assembled workforce of the acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Goodwill acquired through business combinations in the current year has been allocated to the CGUs as follows for impairment test:

Short-term Financing CGU: Goodwill – Prima Finance Group

Software CGU: Goodwill – Auto-serve Group

The Directors have engaged Greater China Appraisal Limited ("**GCA**") to assist them to assess whether there is any impairment of goodwill in the Short-term Financing CGU and the Software CGU. GCA has assessed the acquired businesses' business value and has taken into consideration the historical performance and the financial performance of the acquired businesses and determined the methodologies and the key valuation parameters and reviewed business assumptions adopted by the management.

Short-term Financing CGU

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

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

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

13. GOODWILL (Continued)
Software CGU

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

The recoverable amounts of the Short-term Financing CGU and the Software CGU have been determined from fair-value-less-cost-of-disposal (31 March 2015: fair-value-less-cost-of-disposal) based on cash flows projection according to the financial budgets approved by the management covering a 10-year period (31 March 2015: 10-year period) and a 5-year period (31 March 2015: 5-year period) for the Short-term Financing CGU and the Software CGU, respectively, and are extrapolated cash flows beyond such projected periods with the key assumptions stated below.

A 10-year financial budget (31 March 2015: 10-year) is adopted for the Short-term Financing CGU because the management is confident on the predictability of the key inputs to the cash flow projection.

Key assumptions used for business value calculations are as follows:

	Six months ended 30 September 2015	Year ended 31 March 2015
Short-term Financing CGU		
Interest rates/effective interest rates	18.7%-24.2%	9%-22.9%
Perpetual growth rate	3%	3%
Post-tax discount rate per annum	16.1%	14.5%-15.5%
Software CGU		
Annual revenue growth rates on various service lines	10%-125.6%	10.0%-77.2%
Perpetual growth rate	3%	3%
Post-tax discount rate per annum	33.9%	32.3%

14. INTANGIBLE ASSETS

	The LOIs HK\$'000	Pawn Licences HK\$'000	Trademarks HK\$'000	Product Licences HK\$'000	Total HK\$'000
Cost					
At 1 April 2014 (Audited)	60,000	-	-	-	60,000
Additions through acquisitions of subsidiaries	-	167,845	15,841	2,996	186,682
Exchange realignments	-	921	72	13	1,006
At 31 March 2015 (Audited)	60,000	168,766	15,913	3,009	247,688
At 1 April 2015 (Audited)	60,000	168,766	15,913	3,009	247,688
Additions through acquisitions of subsidiaries	-	-	-	-	-
Transfer to assets of disposal group classified as held for sale (Note 9(b))	(60,000)	-	-	-	(60,000)
Exchange realignments	-	(6,486)	(612)	(115)	(7,213)
At 30 September 2015 (Unaudited)	-	162,280	15,301	2,894	180,475
Accumulated amortisation and impairment losses					
At 1 April 2014 (Audited)	(23,713)	-	-	-	(23,713)
Amortisation	-	-	-	(61)	(61)
Impairment losses	(479)	-	-	-	(479)
At 31 March 2015 (Audited)	(24,192)	-	-	(61)	(24,253)
At 1 April 2015 (Audited)	(24,192)	-	-	(61)	(24,253)
Amortisation	-	-	-	(595)	(595)
Exchange realignments	-	-	-	18	18
Transfer to assets of disposal group classified as held for sale	24,192	-	-	-	24,192
At 30 September 2015 (Unaudited)	-	-	-	(638)	(638)
Net carrying amount					
At 30 September 2015 (Unaudited)	-	162,280	15,301	2,256	179,837
At 31 March 2015 (Audited)	35,808	168,766	15,913	2,948	223,435

14. INTANGIBLE ASSETS (Continued)

The LOIs

The LOIs relate to the Coal Trading CGU (as defined in Note 13) and represented two separate legally binding master framework purchase agreements entered into between the CIFC Group (as defined in Note 13) and a customer and a supplier, which were acquired as part of the Group's acquisition of the CIFC Group in previous years. The useful lives of the LOIs were estimated by the Group to be indefinite as the LOIs are renewed automatically and unconditionally at no additional cost and the directors of the Company consider that there is no foreseeable limit on the period of time over which the LOIs are expected to generate economic benefits to the Group.

The LOIs are tested for impairment at least annually and are allocated to the Coal Trading CGU for impairment assessment purpose. The recoverable amount of the Coal Trading CGU as at 30 September 2015 is determined by reference to the consideration of the disposal (as detailed in Note 9(b)). The recoverable amount of the Coal Trading CGU as at 31 March 2015 was assessed by the Directors by reference to the professional valuation performed by GCA, an independent firm of professional qualified valuer. The recoverable amount of the Coal Trading CGU as at 31 March 2015 is determined based on a fair-value-less costs-of-disposal calculation using a cash flow projection according to the financial budgets approved by the management for the next 3 years and extrapolates cash flows beyond such projected period with the key assumptions stated below:

Key assumptions used in the cash flow projection as at 31 March 2015 are as follows:

Growth in revenue year-on-year during the projection period	No growth
Post-tax discount rate per annum	12.68%
Budgeted gross margin	5.4%
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 as at 30 September 2014 by HK\$400,000, resulting in impairment on the intangible assets representing the LOIs by the amount of approximately HK\$479,000 which has been charged to profit or loss for the year, and the corresponding decrease in related deferred tax liabilities in the amount of approximately HK\$79,000. The above impairment loss is mainly attributable to the decrease of growth rate in line with the business environment of the industry.

No further impairment on the Coal Trading CGU as the Directors expect that a gain on disposal of the Coal Trading Operation would be recognised at the effective date of disposal.

14. INTANGIBLE ASSETS (Continued)

Pawn Licences

Pawn Licences represented the operating licences of the Pawn Broker Business (as defined in the Company's circular dated 30 May 2014), which has been newly acquired by the Group during the year ended 31 March 2015, and they are valued based on an Income Approach – Multi-period Excess Earnings Method ("MPEEM"). MPEEM is a derivative of the discounted cash flow method which is commonly adopted for the valuation of intangible assets. Using this technique, key valuation assumptions include discount rate, indefinite useful life of the Pawn Licences, contributory asset charges, etc. The management estimates the future economic benefits attributed to the Pawn Licences. Such future economic benefits are then discounted at a rate which reflects all business risks in relation to the Pawn Licences. Based on the projected revenues, the costs associated with the Pawn Licences are net off. The net income projection is then adjusted by contributory asset charges in order to derive the excess earnings attributable to the Pawn Licences. The contributory asset charges include returns on the assets that are used or used up in generating the profit of the Pawn Licences. Examples of such assets include fixed assets and assembled workforce.

The Directors are of the opinion that the Group would renew the Pawn Licences, at minimal cost, continuously and has the ability to do so. Therefore, the Pawn Licences are considered by the management as having an indefinite useful life because it is expected to contribute to new cash inflows indefinitely.

Trademarks

Trademarks as acquired as a result of a business combination have a legal life of 10 years but are renewable every 10 years at minimal cost. The Directors are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends have been performed by management of the Group, which supports that trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate new cash flows for the Group. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to new cash inflows indefinitely.

Product Licences

The Product Licences represented intangible assets acquired as a result of a business combination and are amortised over 3 years under the straight-line method.

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

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

Short-term Financing CGU: Pawn Licences

Software CGU: Trademarks and Product Licences

15. LOAN TO CUSTOMERS

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Pawn loans	238,555	270,895
Micro-credit loans	119,171	128,975
Entrusted loans	28,558	34,581
Loans to customers, gross	386,284	434,451
Less: Impairment allowances		
– Individually assessed	15(a) (3,114)	(1,917)
– Collectively assessed	15(a) (3,174)	(4,230)
	(6,288)	(6,147)
Loans to customers, net	379,996	428,304

The loans to customers are arising from the Group's pawn loans, micro-credit and entrusted loans services. The loan periods granted to customers are mainly ranging from one month to one year.

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

(a) Movements of impairment allowances are as follows:

	As at 30 September 2015 (Unaudited)			As at 31 March 2015 (Audited)		
	Individually assessed HK\$'000	Collectively assessed HK\$'000	Total HK\$'000	Individually assessed HK\$'000	Collectively assessed HK\$'000	Total HK\$'000
At the beginning of the reporting period	1,917	4,230	6,147	–	–	–
Additions of allowances from acquisition of subsidiaries	–	–	–	4,337	3,475	7,812
(Reversal of)/Provision for impairment losses (credited) charged to profit or loss	1,306	(918)	388	(2,435)	733	(1,702)
Exchange realignments	(109)	(138)	(247)	15	22	37
At the end of the reporting period	3,114	3,174	6,288	1,917	4,230	6,147

15. LOAN TO CUSTOMERS (Continued)

(b) Aging Analysis

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

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Less than 1 month	127,449	194,171
1 to 3 months	54,232	49,832
4 to 6 months	36,740	78,942
7 to 12 months	74,379	100,391
Over 12 months	87,196	4,968
	379,996	428,304

16. TRADE RECEIVABLES

	Note	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Trade receivables from third parties		79,151	49,812
Impairment allowances		(12,116)	(12,116)
Transfer to assets of disposal group classified as held for sale	9(b)	(65,494)	–
		1,541	37,696

16. TRADE RECEIVABLES (Continued)

- (a) The aging analysis of the Group's trade receivables (before impairment allowances) at the end of the reporting period, based on invoice date, is as follows:

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within 90 days	12,121	18,058
91 to 180 days	17,746	19,069
181 to 365 days	36,814	12,551
Over 365 days	12,470	134
	79,151	49,812

- (b) The Group normally allows an average credit term of 60 to 90 days (31 March 2015: 60 to 90 days) to its customers for coal trading business. For certain well-established customers with good repayment history and creditworthiness, the Group allows an average credit period beyond 90 days.

17. TRADE PAYABLES

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Trade payables to an independent third party	62,305	34,806
Transfer to liabilities of disposal group classified as held for sale	9(b) (62,305)	-
	-	34,806

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

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within 90 days	10,882	34,545
91 to 180 days	16,636	261
181 to 365 days	34,526	-
Over 365 days	261	-
	62,305	34,806

The trade payables were non-interest bearing and were normally settled on an average term of 60 to 90 days (31 March 2015: 60 to 90 days).

18. PROMISSORY NOTES

		As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
	Notes		
At the beginning of the reporting period		49,808	–
Issued during the reporting period	(i)	–	90,932
Early redemption of promissory notes	(ii)	(3,727)	(44,381)
Accrued effective interest expense		2,223	3,257
Interest payment		(320)	–
Carrying value at the end of the reporting period		47,984	49,808
Face value, at the end of the reporting period		50,000	54,000

- (i) The promissory notes bear interest of 8% per annum and mature in 5 years from the date of issue. The effective interest rates of the promissory notes were determined to be approximately 8.93% and 9.01% per annum respectively. The promissory notes were classified under non-current liabilities and measured at amortised cost.
- (ii) On 13 July 2015, the Company has exercised its right to early redeem promissory notes with aggregate principal amount of HK\$4,000,000. The carrying values of the promissory notes redeemed were approximately HK\$3,727,000 and a settlement loss of approximately HK\$273,000 was charged to profit or loss during the Interim Period.

19. CONVERTIBLE BONDS

As part of the acquisition consideration upon the completion of the Group's acquisition of the Prima Finance Group, the Company has issued zero-coupon convertible bonds in the principal amount of HK\$420,200,000 ("**2019 CB**") as part of the initial consideration to the vendors of the Prima Finance Group (including HK\$6,699,000 (face value) withheld by the Company as deferred convertible bonds). Based on assessment made by the Directors at the Completion Date, the Company is also expected to issue zero-coupon convertible bonds in the principal amount of HK\$40,653,000 as the contingent consideration in 2015 which actual amount is subject to the 2014 Actual Profit of the Prima Finance Group.

On 4 February 2015, apart from the release of the deferred convertible bonds in the face value of HK\$6,699,000 to the vendors, the Company issued zero-coupon convertible bonds in the principal amount of HK\$236,000,000 ("**2020 CB**") to the vendors upon fulfilment of the 2014 Actual Profit.

19. CONVERTIBLE BONDS (Continued)

The convertible bonds are payable in one lump sum on maturity at 105% of the face value 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 at any time between the date of issuance 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.

In April 2015, the holders of 2019 CB exercised their rights to convert the zero-coupon convertible bonds in the principle amount of HK\$33,000,000 into new ordinary shares of the Company.

The conversion option of the convertible bonds 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 issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group.

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

The carrying amounts of above-mentioned convertible bonds recognised at the end of the reporting period were calculated as follows:

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Equity component		
At beginning of the reporting period	798,828	–
Fair value of the entire convertible bonds, at the date of issuance	–	1,247,816
Fair value of the liability component, at the date of issuance	–	(448,988)
Conversion during the period	(44,738)	–
At the end of the reporting period	754,090	798,828
Liability component		
At beginning of the reporting period	471,509	–
Fair value at the date of issuance	–	448,988
Effective interest expenses	19,333	22,521
Conversion during the period	(24,385)	–
At the end of the reporting period	466,457	471,509
Face value, at the end of the reporting period	623,200	656,200

20. CONTINGENT CONSIDERATIONS

For the six months ended 30 September 2014, fair value gain on contingent consideration – convertible bonds of approximately HK\$3,223,000 was the result of the decrease in fair value of earn-out consideration from HK\$83,356,000 on the completion date of acquisition of Prima Finance Group to HK\$80,133,000 on 30 September 2014.

During the six months ended 30 September 2015, the fair value gain on contingent consideration – consideration shares of HK\$11,250,000 was attributed to the fair value measurement of contingent consideration – consideration shares of which is valued with reference to the trading price of the Company's shares, the latest financial information of the Auto-serve Group, the Auto-serve Group's financial performance forecast and other relevant indicators.

21. SHARE CAPITAL

Notes	Number of shares '000	Amount HK\$'000
Authorised:		
At 31 March 2015 and 30 September 2015, ordinary shares of HK\$0.01 each	10,000,000	100,000
Issued and fully paid:		
At 1 April 2014, ordinary shares of HK\$0.01 each	655,880	6,559
Issue of new shares on the May 2014 Placement (i)	44,500	445
Issue of new shares on acquisition of subsidiaries – Prima Finance Group (ii)	268,000	2,680
Issue of new shares on acquisition of subsidiaries – Auto-serve Group (iii)	10,870	109
Issue of new shares on the March 2015 Placement (iv)	51,800	518
At 31 March 2015, ordinary shares of HK\$0.01 each	1,031,050	10,311
Shares issued upon conversion of convertible bonds (v)	94,286	943
Issue of new shares in subscription (vi)	29,270	293
At 30 September 2015, ordinary shares of HK\$0.01 each	1,154,606	11,547

- (i) In May 2014, 44,500,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under a share placement (the **"May 2014 Placement"**) at a placing price of HK\$0.45 each at an aggregate consideration of approximately HK\$19,678,000 (net of issuing expenses of HK\$347,000), 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. Details of the May 2014 Placement were set out in the Company's announcements dated 8 May 2014 and 22 May 2014.
- (ii) In June 2014, 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 equity interest in the Prima Finance Group. Details of the acquisition was set out in the Annual Report. 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.

21. SHARE CAPITAL (Continued)

- (iii) In March 2015, approximately 10,870,000 new ordinary shares of par value of HK\$0.01 each of the Company were issued as part of the consideration in acquiring the entire equity interest in the Auto-serve Group. Details of the acquisition was set out in the Annual Report. The fair value of the shares issued at the date of completion of acquisition is approximately HK\$6,413,000, of which approximately HK\$109,000 was credited to the share capital and the remaining balance of approximately HK\$6,304,000 was credited to the share premium account.
- (iv) In March 2015, 51,800,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under placements (the "**March 2015 Placement**") at a placing price of HK\$0.58 each at an aggregate consideration of approximately HK\$29,088,000 (net of issuing expenses of approximately HK\$956,000), of which approximately HK\$518,000 was credited to share capital and the remaining balance of approximately HK\$28,570,000 was credited to the share premium account. Details of the March 2015 Placement were set out in the Company's announcements dated 10 March 2015 and 24 March 2015.
- (v) In June 2015, the convertible bonds with aggregate value of HK\$33,000,000 were converted into ordinary shares of par value HK\$0.01 each of the Company at conversion price of HK\$0.35 per share.
- (vi) In June 2015, 29,270,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under subscription at a subscription price of HK\$0.41 each at consideration of approximately HK\$12,001,000 net of issuing expenses of approximately HK\$131,000 of which approximately HK\$293,000 was credited to share capital and the remaining balance of approximately HK\$11,577,000 was credited to the share premium account. Details of the subscription were set out in the Company's announcements dated 12 June and 24 June 2015.

All new shares issued rank pari passu with the existing shares in all respects.

22. DISPOSAL OF SUBSIDIARIES

On 10 July 2015, the Group disposed of (i) its entire equity interest in Foremost Star; and (ii) its aggregate advance owed by Foremost Star to the Group at a consideration of HK\$52,000,000. Further details of the disposal are set out in the announcement of the Company dated 9 June 2015. The net assets of the Foremost Star Group at the date of the disposal were as follows:

	HK\$'000
Investment property (Note 12)	50,000
Prepayments, deposits and other receivables	86
Cash and cash equivalents	1
Accrued expenses and other payables	(12)
Shareholder's loan of Foremost Star	(25,940)
<hr/>	
Net assets of the Foremost Star Group	24,135
Assignment of shareholder's loan of Foremost Star	25,940
Direct costs incurred for the disposal	280
Gain on disposal of subsidiaries (Note 9(a))	1,645
<hr/>	
Total cash consideration received	52,000

22. DISPOSAL OF SUBSIDIARIES (Continued)

	HK\$'000
Net cash inflow arising on disposal:	
Cash consideration	52,000
Costs directly attributable to the disposal	(280)
Cash and cash equivalents disposed of	(1)
	<hr/> 51,719

23. OPERATING LEASE COMMITMENTS

As Lessee

The Group and the Company leases its office premises and a staff's quarter under operating lease arrangements where applicable, with leases negotiated for terms ranging from three months to twenty years. None of the leases includes contingent rentals.

The Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within one year	8,556	6,679
In the second to fifth years, inclusive	10,318	7,320
Over five years	5,424	2,754
	<hr/> 24,298	<hr/> 16,753

24. CAPITAL COMMITMENT

As at 31 March 2015, the Group had contracted but not provided capital commitment of approximately HK\$4,426,000 in respect of further investment in its available-for-sale financial assets. Such capital contribution was fully made during the Interim Period.

25. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis as at 30 September 2015 and 31 March 2015 across the three levels of the fair value hierarchy defined in HKFRS 13, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

a) Assets and liabilities measured at fair value

30 September 2015 (Unaudited)	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
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Liability measured at fair value

Contingent consideration – consideration shares	51,250	–	51,250	–
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31 March 2015 (Audited)	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
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Asset measured at fair value

Investment property (Note 12)	50,000	–	50,000	–
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Liability measured at fair value

Contingent consideration – consideration shares	62,500	–	62,500	–
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During the Interim period, there were neither transfers from Level 1 to Level 2 fair value measurement, nor transfers into or out of Level 3 fair value measurements.

b) Assets and liabilities with fair value disclosure, but not measured at fair value

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair value as at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group recorded total turnover of approximately Hong Kong dollar ("HK\$") 85,633,000 (2014: approximately HK\$28,504,000) from continuing operations for the Interim Period representing an increase of approximately HK\$57,129,000 over the corresponding period. The short-term financing services business and development and sales of enterprise software business, were acquired in June 2014 and March 2015 respectively, constituted the 'new businesses' to the Group which contributed turnover of approximately HK\$74,623,000 (2014: approximately HK\$28,504,000) and approximately HK\$11,010,000 (2014: Nil) respectively. Since the new businesses have been acquired, the gross profit from continuing operations of the Group was improved to approximately HK\$84,108,000 (2014: approximately HK\$28,504,000) for the Interim Period.

The administrative and other expenses for the Interim Period from continuing operations increased by approximately HK\$11,758,000 to approximately HK\$35,760,000 (2014: approximately HK\$24,002,000) was mainly caused by the incorporation of expenses of the new businesses for the Interim Period.

As announced by the Company on 4 November 2015, the significant increase in profit attributable to owners of the Company for the Interim Period by approximately HK\$326,997,000 to approximately HK\$30,734,000 (2014: a substantial loss of approximately HK\$296,263,000) was mainly attributable to (i) no impairment loss on goodwill of the Short-Term Financing CGU and fair value loss on investment property were recorded for the Interim Period, while losses of approximately HK\$262,546,000 and HK\$41,000,000 were recorded respectively for the same period last year; and (ii) significant increase in turnover of approximately HK\$46,119,000 from the short-term financing services business which was acquired on 25 June 2014, due to turnover of this segment for a full 6-month period was incorporated into the Group's financial results for the Interim Period, while turnover of this segment for an approximate 3-month period of approximately HK\$28,504,000 was recorded in the same period last year.

CONTINUING OPERATIONS

Short-term Financing Services

During the Interim Period, the revenue of short-term financing services was approximately HK\$74,623,000 (2014: approximately HK\$28,504,000). The segment result of the short-term financing services recorded a profit of approximately HK\$57,073,000 (2014: Loss of approximately HK\$241,315,000). The significant increase in turnover and segment profit for the Interim Period when compared with the corresponding period last year was mainly attributable to the same reasons as aforementioned in the business and financial review section which related to no impairment loss on goodwill and increase in revenue of the short-term financing services segment.

Development and Sales of Software

The acquisition of Auto-serve Group was completed on 13 March 2015. Since then, the Group has entered into the business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC.

During the Interim Period, the revenue and results of the development and sales of software segment were approximately HK\$11,010,000 (2014: Nil) and profit of approximately HK\$4,299,000 (2014: Nil) respectively.

DISCONTINUED OPERATIONS

Property Investments

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

The property was vacant during the Interim Period and it generated rental income of approximately HK\$1,623,000 during the six months ended 30 September 2014. This segment recorded a profit of approximately HK\$1,499,000 (2014: Loss of approximately HK\$39,482,000) due to the recognition of gain on disposal of Foremost Star Group of approximately HK\$1,645,000 during the Interim Period while the loss resulted for the same period of last year was mainly due to a non-cash fair value loss on investment property of approximately HK\$41,000,000.

Coal Trading

During the Interim Period, revenue and reportable segment profit of coal trading business have decreased by approximately HK\$9,853,000 to approximately HK\$29,093,000 (2014: approximately HK\$38,946,000) and increased approximately HK\$94,000 to approximately HK\$1,356,000 (2014: approximately HK\$1,262,000) respectively. These were due to the reduction in selling price per metric tonne of coal sold. However, the Group was able to maintain its gross profit margin.

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

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

PROSPECTS

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

LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2015, the Group has total bank borrowings of approximately HK\$29,789,000 denominated in Renminbi ("**RMB**") (31 March 2015: approximately HK\$43,113,000 denominated in Hong Kong dollars and RMB) and other debts comprising promissory notes and liability component of convertible bonds of HK\$514,441,000 (31 March 2015: HK\$521,317,000). All the bank borrowings were obtained on secured basis. The Group will try to obtain future financing on an unsecured basis, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 30 September 2015, the Group had cash and cash equivalents of approximately HK\$107,334,000 (31 March 2015 approximately HK\$48,721,000) which are mainly denominated in Hong Kong dollars, United States dollars ("**US\$**") and RMB. To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

The capital commitment of RMB3,500,000 (equivalent to approximately HK\$4,426,000) as at 31 March 2015 for the further investment in Shenyang Huijian (as defined below) has been settled during the Interim Period, the Group has no capital commitments as at 30 September 2015.

As at 30 September 2015, the gearing ratio for the Group was approximately 1.91 (31 March 2015: 2.27), calculated based on the total debts (comprising bank loans and other debts) of HK\$544,230,000 over shareholder's equity of approximately HK\$284,616,000. The debt ratio was approximately 0.71 (31 March 2015: approximately 0.75), calculated as total liabilities over total assets of the Group.

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

CAPITAL STRUCTURE AND FUND RAISING ACTIVITY

The capital structure of the Group and fund raising activity during the Interim Period are summarised as follows:

(i) Bank Borrowings

As at 30 September 2015 and 31 March 2015, the bank borrowings denominated in RMB bears a fixed interest rate of 6.7% per annum and is secured by a corporate guarantee given by an independent third party at a fee charged.

As at 31 March 2015, the bank borrowings denominated in HK\$12,133,000 bears a floating interest rate and is secured by the Group's investment property and a corporate guarantee given by the Company, such loan has been fully settled by the proceeds received from the disposal of Foremost Star Group during the Interim Period.

(ii) Promissory Notes

As at 31 March 2015, the Company had 2 series of promissory notes issued as part of consideration for the acquisition of Prima Finance Group outstanding. During the Interim Period, an 8% promissory note in the principal amount of HK\$4,000,000 issued on 25 June 2014 was early redeemed by the Company through use of the proceeds from the disposal of Foremost Star Group. As at 30 September 2015, the Company had outstanding promissory notes in the principal amount of HK\$50,000,000 issued on 6 February 2015. Summary of the promissory notes are as follows. Further details are set out in Note 18 to the unaudited condensed consolidated financial statements.

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

(iii) Convertible Bonds

As at 31 March 2015, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of Prima Finance Group outstanding. During the Interim Period, convertible bonds in the principal amount of HK\$33,000,000 have been converted into new ordinary shares of the Company. Below is the summary of the movement of the convertible bonds during the Interim Period. Further details are set out in Note 19 to the unaudited condensed consolidated financial statements.

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

(iv) Subscription of New Shares Under Existing General Mandate

The Group has raised fund via issue of new shares under the subscription agreement during the Interim Period. Details of the subscription of shares during the Interim Period and the use of the proceeds are set as below:

Date and particulars of the subscription	Net proceeds raised (approximately) (HK\$)	Intended use of proceeds	Actual use of proceeds (approximately)
Subscription of 29,270,000 new shares under general mandate on 12 June 2015 at a subscription price of HK\$0.41 per share	11,870,000	(i) Payment of interest which due on 25 June 2015 for the promissory note in principal amount of HK\$4,000,000; and (ii) as general working capital of the Group.	(i) HK\$320,000 had been used for the settlement of interest of the promissory note and; (ii) HK\$4,024,000 had been used as general working capital.

Details of the subscription of shares are set out in the announcements of the Company dated 12 June 2015 and 24 June 2015. Details of the shares issued during the Interim Period as set out in note 21 to the unaudited condensed consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong are denominated in RMB and US\$ respectively. As at 30 September 2015, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies, i.e. RMB and US\$, used by the respective group entities, or in US\$ for the respective group entities with HK\$ being the functional currency.

As HK\$ is pegged to US\$, the Group considers the risk of movements in exchange rates between HK\$ and US\$ to be insignificant for transactions denominated in US\$. The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 September 2015, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 30 September 2015, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

SIGNIFICANT INVESTMENTS AND MATERIAL DISPOSALS

Disposals

(i) Discloseable Transaction in Relation to the Disposal of the Entire Equity Interest and Shareholder's Loan of Foremost Star

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

No significant fair value change in the investment property as indirectly owned by Foremost Star is recognised for the Interim Period. (2014: Fair value loss of approximately HK\$41,000,000).

Details of such disposal are also set out in Note 22 to the unaudited condensed consolidated financial statements.

(ii) **Major Transaction in Relation to the Disposal of the Entire Equity Interest and Shareholder's Loan of Star Coal**

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

The disposal of Star Coal has not been completed as at the date of this report. As additional time is required to arrange for the completion, the completion date was extended to on or before 30 November 2015. Subsequent to 30 September 2015 and up to the date of this report, the Group has received a non-refundable deposit of HK\$15,000,000 and such deposit will be applied to set off against part of the consideration of the disposal. In the event the completion does not take place, such deposit will be forfeited in full.

Further details of the disposal of the Star Coal Group are set out in the announcements of the Company dated 14 July 2015, 24 August 2015, 28 August 2015, 30 September 2015 and 30 October 2015 and the circular of the Company dated 6 August 2015.

Significant Investments

During the Interim Period, further capital injection of approximately HK\$4,256,000 (equivalent to RMB3,500,000) was made to 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited*) ("**Shenyang Hulian**"), a company which the Group holds 7% equity interest. As at the date of this report, there was no other significant investments made during the Interim Period.

CHARGE OF GROUP ASSETS

As at 30 September 2015, the Group did not have any assets under charged while as at 31 March 2015, the Group's investment property with a carrying value of approximately HK\$50,000,000 was pledged to secure the bank borrowings denominated in HK\$12,133,000 of the Group.

* English name is for identification purpose only

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 September 2015, the Group employed a total of 190 employees (31 March 2015: 180). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees. The total employee remuneration, excluding Directors' remuneration, for the Interim Period amounted to approximately HK\$12,275,000 (2014: approximately HK\$4,227,000).

CONTINGENT LIABILITIES

Save as the contingent considerations disclosed in Note 20 to the unaudited condensed consolidated financial statements which was recorded as liabilities of the Group as at 30 September 2015, the Group did not have any significant contingent liabilities as at 30 September 2015 (31 March 2015: Nil).

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 2015, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions in the Shares

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

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

Save for those disclosed above, as at 30 September 2015, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the Stock Exchange pursuant to the Model Code (as defined below).

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 2015, the following companies had interests in more than 5% of the Company's issued share capital:

Long Position in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company (Note 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	1,384,571,429	–	1,384,571,429	119.92
Mr. Dai Di (Note 1)	–	1,384,571,429	1,384,571,429	119.92
Time Prestige Holdings Limited (Note 2)	161,142,857	–	161,142,857	13.96
Mr. Dai Hao (Notes 2 and 3)	–	563,999,999	563,999,999	48.85
Bustling Capital Limited (Note 3)	402,857,142	–	402,857,142	34.89
Ms. Jin Yu (Notes 2 and 3)	–	563,999,999	563,999,999	48.85
Silver Palm Limited (Note 4)	71,428,571	–	71,428,571	6.19
Mr. Wang Jia Sheng (Note 4)	–	71,428,571	71,428,571	6.19

Notes:

1. The 1,384,571,429 Shares held by Exuberant Global Limited represent (i) 174,200,000 Shares; and (ii) 1,210,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global Limited is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,384,571,429 Shares held by Exuberant Global Limited.
2. The 161,142,857 Shares held by Time Prestige Holdings Limited represent (i) 26,800,000 Shares; and (ii) 134,342,857 Shares to be issued upon full conversion of the convertible bonds. Time Prestige Holdings Limited is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital Limited.
3. The 402,857,142 Shares held by Bustling Capital Limited represent (i) 67,000,000 Shares; and (ii) 335,857,142 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital Limited is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 402,857,142 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 161,142,857 Shares held by Time Prestige Holdings Limited.
4. Silver Palm Limited is wholly and beneficially owned by Mr. Wang Jia Sheng. Accordingly, Mr. Wang Jia Sheng is deemed to be interested in the 71,428,571 Shares held by Silver Palm Limited.
5. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 September 2015 (i.e. 1,154,605,562 Shares).

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and or any Associated Corporation" above) who, as at 30 September 2015, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 2 August 2012 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

Eligible participants of the Scheme include Directors, non-executive officers including independent non-executive Directors, employees of the Group, customers of the Group, consultants, advisors, managers, officers or entities that provide research, development or other technological support to the Group.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the Interim Period. As at 30 September 2015, there was no outstanding share option under the 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 the Shares, or debentures of the Company or any other body corporate.

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 to less exacting than the Rules 5.48 to 5.67 (the "**Model Code**") of the GEM Listing Rules. The Company had made specific enquires with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the Interim Period.

INTERESTS IN A COMPETING BUSINESS

As at 30 September 2015, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) have engaged in any business that competes or might compete with the business of the Group, or have any other conflict of interest with the Group pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance. Throughout the Interim Period, the Company has complied with all the code provisions set out in Appendix 15 Corporate Governance Code and Corporate Governance Report (the "**CG Code**") of the GEM Listing Rules with the exception of the following deviations:

CODE PROVISION A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (the “CEO”) should be separate and should not be performed by the same individual.

Deviation

Since 1 January 2015, Mr. Han Jianli, the CEO of the Company, has also taken up the role as the chairman of the Company. Given the size of the Group and that the Company and the Group’s current business operations and administration have been relatively stable since 2015, the Board is justified that the current structure would enable Mr. Han Jianli to effectively discharge the duties of both the chairman and CEO of the Company. However, going forward, the Board will review from time to time the need to separate the role of the chairman and the CEO if the situation warrants it.

CODE PROVISION A.4.1

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

Deviation

Non-executive Directors were not appointed for a fixed term. The bye-laws of the Company (the “**Bye-laws**”) stipulate that the 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 CG Code.

CODE PROVISION A.6.7

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

Deviation

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

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2015.

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
Capital Finance Holdings Limited
Mr. Han Jianli
Chairman and Executive Director

Hong Kong, 12 November 2015

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