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

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

**(Stock code: 8239)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED**  
**(THE “EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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 June 2018 together with the comparative figures in 2017 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2018*

		Three months ended		Six months ended	
		30 June		30 June	
		2018	2017	2018	2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	18,587	18,148	37,115	34,349
Other income, and other gains and losses, net	4	(224)	1,275	457	2,918
Administrative and other expenses		(8,164)	(7,978)	(15,954)	(17,852)
Provision for impairment loss on loans to customers		—	(921)	—	(1,341)
Write back of allowance for expected credit losses (ECLs) on loans to customers	13	13,819	—	13,653	—
Finance costs	5	(11,828)	(10,905)	(23,318)	(21,572)
Profit/(Loss) before income tax	6	12,190	(381)	11,953	(3,498)
Income tax expense	7	(5,636)	(2,301)	(9,014)	(4,198)
<b>Profit/(Loss) for the period</b>		<b>6,554</b>	<b>(2,682)</b>	<b>2,939</b>	<b>(7,696)</b>
<b>Attributable to:</b>					
Owners of the Company		5,255	(3,107)	896	(8,821)
Non-controlling interests		1,299	425	2,043	1,125
		<b>6,554</b>	<b>(2,682)</b>	<b>2,939</b>	<b>(7,696)</b>
<b>Earnings/(Loss) per share attributable to owners of the Company</b>	9				
– Basic and diluted					
(Hong Kong cents)		<b>0.40</b>	<b>(0.24)</b>	<b>0.07</b>	<b>(0.68)</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2018*

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(Loss) for the period</b>	<b>6,554</b>	<b>(2,682)</b>	<b>2,939</b>	<b>(7,696)</b>
<b>Other comprehensive (expense)/income for the period</b>				
<i>Item that will be reclassified to profit or loss:</i>				
– Exchange differences on translation of financial statements of foreign operations	<u>(31,532)</u>	<u>11,298</u>	<u>(7,694)</u>	<u>16,355</u>
<b>Total other comprehensive (expense)/income for the period, net of tax</b>	<u>(31,532)</u>	<u>11,298</u>	<u>(7,694)</u>	<u>16,355</u>
<b>Total comprehensive (expense)/income for the period</b>	<u><b>(24,978)</b></u>	<u><b>8,616</b></u>	<u><b>(4,755)</b></u>	<u><b>8,659</b></u>
<b>Attributable to:</b>				
Owners of the Company	<u>(25,318)</u>	<u>7,844</u>	<u>(6,510)</u>	<u>7,035</u>
Non-controlling interests	<u>340</u>	<u>772</u>	<u>1,755</u>	<u>1,624</u>
	<u><b>(24,978)</b></u>	<u><b>8,616</b></u>	<u><b>(4,755)</b></u>	<u><b>8,659</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2018*

		<b>30 June</b>	31 December
		<b>2018</b>	2017
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>1,359</b>	1,668
Available-for-sale financial assets	<i>11</i>	—	8,405
Financial assets at fair value through other comprehensive income	<i>12</i>	<b>8,295</b>	—
Deferred tax assets		<b>15,500</b>	3,446
		<hr/>	<hr/>
Total non-current assets		<b>25,154</b>	13,519
		<hr/>	<hr/>
<b>Current assets</b>			
Loans to customers	<i>13</i>	<b>411,188</b>	536,590
Trade receivables	<i>14</i>	<b>178</b>	180
Prepayments, deposits and other receivables	<i>15</i>	<b>3,023</b>	4,616
Financial assets at amortised cost	<i>16</i>	<b>23,700</b>	—
Cash and cash equivalents		<b>121,704</b>	55,893
		<hr/>	<hr/>
Total current assets		<b>559,793</b>	597,279
		<hr/>	<hr/>
<b>Current liabilities</b>			
Accrued expenses, other payables and deposits received		<b>23,883</b>	13,180
Tax payable		<b>3,257</b>	3,311
Dividend payable to non-controlling interests		—	2,541
Amount due to a shareholder	<i>17</i>	<b>2,699</b>	2,749
Convertible bonds-liability component	<i>18</i>	<b>374,328</b>	—
		<hr/>	<hr/>
Total current liabilities		<b>404,167</b>	21,781
		<hr/>	<hr/>
<b>Net current assets</b>		<b>155,626</b>	575,498
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>180,780</b>	589,017
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***As at 30 June 2018*

		<b>30 June</b>	31 December
		<b>2018</b>	2017
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Promissory notes	<i>19</i>	<b>22,406</b>	21,532
Convertible bonds – liability component	<i>18</i>	<u><b>175,494</b></u>	<u>527,378</u>
Total non-current liabilities		<u><b>197,900</b></u>	<u>548,910</u>
<b>Net (liabilities)/assets</b>		<u><b>(17,120)</b></u>	<u>40,107</u>
<b>Capital and reserves</b>			
Issued capital	<i>20</i>	<b>13,012</b>	13,012
Reserves		<u><b>(45,733)</b></u>	<u>10,870</u>
Equity attributable to owners of the Company		<b>(32,721)</b>	23,882
Non-controlling interests		<u><b>15,601</b></u>	<u>16,225</u>
<b>Total (capital deficiency)/equity</b>		<u><b>(17,120)</b></u>	<u>40,107</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Reserves							Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve (debit)	Convertible bonds reserve	Statutory reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2017 (Audited)	13,012	616,828	131,109	120,794	(48,927)	713,306	21,042	(1,543,282)	23,882	16,225	40,107
Adoption of HKFRS 9 (Note)	—	—	—	—	(1,973)	—	—	(48,120)	(50,093)	(2,379)	(52,472)
Adjusted balance as at 1 January 2018	13,012	616,828	131,109	120,794	(50,900)	713,306	21,042	(1,591,402)	(26,211)	13,846	(12,365)
Profit for the period	—	—	—	—	—	—	—	896	896	2,043	2,939
<b>Other comprehensive expense</b>											
Item that will be reclassified to profit or loss											
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(7,406)	—	—	—	(7,406)	(288)	(7,694)
<b>Total other comprehensive expense for the period</b>	—	—	—	—	(7,406)	—	—	—	(7,406)	(288)	(7,694)
<b>Total comprehensive (expense)/income for the period</b>	—	—	—	—	(7,406)	—	—	896	(6,510)	1,755	(4,755)
At 30 June 2018 (Unaudited)	<u>13,012</u>	<u>616,828</u>	<u>131,109</u>	<u>120,794</u>	<u>(58,306)</u>	<u>713,306</u>	<u>21,042</u>	<u>(1,590,506)</u>	<u>(32,721)</u>	<u>15,601</u>	<u>(17,120)</u>

Note: Upon the adoption of HKFRS 9 'Financial Instruments' on 1 January 2018, the accumulated impact of HK\$48,120,000 was recorded as an adjustment to the accumulated losses as at 1 January 2018, including HK\$61,563,000 allowance for ECLs on loans to customers from remeasurement of loans to customers, net of the corresponding deferred tax assets of HK\$13,443,000.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**  
**For the six months ended 30 June 2017**

	Reserves								Equity attributable to owners of the Company	Non-controlling interests	Total
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve (debit)	Convertible bonds reserve	Statutory reserve	Accumulated losses			
	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>	<i>HKS '000</i>
At 1 January 2017 (Audited)	11,812	543,717	131,109	120,794	(87,640)	754,090	16,784	(1,524,289)	(33,623)	15,179	(18,444)
Loss for the period	—	—	—	—	—	—	—	(8,821)	(8,821)	1,125	(7,696)
<b>Other comprehensive income</b>											
Item that will be reclassified to profit or loss											
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	15,856	—	—	—	15,856	499	16,355
<b>Total other comprehensive income for the period</b>	—	—	—	—	15,856	—	—	—	15,856	499	16,355
<b>Total comprehensive income for the period</b>	—	—	—	—	15,856	—	—	(8,821)	7,035	1,624	8,659
<b>Transactions with owners</b>											
Conversion of convertible bonds (Note 20(i))	1,200	73,111	—	—	—	(40,784)	—	—	33,527	—	33,527
<b>Total transactions with owners</b>	1,200	73,111	—	—	—	(40,784)	—	—	33,527	—	33,527
<b>At 30 June 2017 (Unaudited)</b>	<b>13,012</b>	<b>616,828</b>	<b>131,109</b>	<b>120,794</b>	<b>(71,784)</b>	<b>713,306</b>	<b>16,784</b>	<b>(1,533,110)</b>	<b>6,939</b>	<b>16,803</b>	<b>23,742</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2018*

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>OPERATING ACTIVITIES</b>		
Cash generated from (used in) operations	99,457	(79,198)
Interest received	515	453
Income taxes paid	(6,220)	(4,762)
Interest paid	—	(75)
	<u>93,752</u>	<u>(83,582)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of financial assets at amortised cost	16 (23,700)	—
Purchases of property, plant and equipment	10 (80)	(515)
	<u>(23,780)</u>	<u>(515)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from interest-bearing borrowings	—	2,261
Repayments of interest-bearing borrowings	—	(14,244)
(Repayment to)/advance from a shareholder	(50)	2,000
Dividends paid to non-controlling interests	(2,541)	—
	<u>(2,591)</u>	<u>(9,983)</u>
<b>Net cash used in financing activities</b>	<u>(2,591)</u>	<u>(9,983)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>67,381</b>	<b>(94,080)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>55,893</b>	<b>154,012</b>
<b>Effect of foreign exchange rate changes, net</b>	<u>(1,570)</u>	<u>1,860</u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>121,704</b></u>	<u><b>61,792</b></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<u><b>121,704</b></u>	<u><b>61,792</b></u>



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Capital Finance Holdings Limited (the “**Company**”) was previously 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 GEM of The Stock Exchange of Hong Kong Limited (the “**Exchange**”). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is at Unit 2613A, 26/F., Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

During the Interim Period, the Company is principally engaged in investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in provision of short-term financing services in the People’s Republic of China (the “**PRC**”) and Hong Kong (“**Short-term Financing Services**”).

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is same as the functional currency of the Company, and all values are rounded to the nearest thousands unless otherwise stated.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The Group’s unaudited condensed consolidated interim financial statements for the three and six months ended 30 June 2018 (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 Hong Kong Companies Ordinance and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Exchange (the “**GEM Listing Rules**”).

The measurement basis used in the preparation of the Interim Financial Statements is the historical cost basis, except where otherwise described below.

The preparation of Interim Financial Statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. 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 December 2017, 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, HKASs and Interpretation issued by HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2017 (the “**Annual Report**”).

## **2.2 Principal Accounting Policies**

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the Annual Report except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2018.

The Group has adopted HKFRS 15 “Revenue from Contracts with Customers” and HKFRS 9 “Financial Instruments” in the Interim Financial Statements and the impact of initial adoption are described in Notes 2.3 and 2.4 respectively.

### **2.3 HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provides a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The majority of the Group’s revenue are interest income from loans to customers. As there was not a material change in recognition requirement of interest income, the adoption of HKFRS 15 had no material impact on the Group’s Interim Financial Statements.

### **2.4 HKFRS 9 Financial Instruments**

HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

**(a) Classification and measurement**

On 1 January 2018 (the date of initial adoption of the New HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the New HKFRSs.

Upon the adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group considered that its equity investments previously classified as available-for-sale financial assets were reclassified as financial assets at fair value through other comprehensive income as these investments are held as long term strategic investments. Fair value is measured at the reclassification date. Dividends are recognised as income in profit or loss. Any difference between previous amortised cost and fair value on reclassification is recognised in other comprehensive income and never reclassified to profit or loss.

**(b) Impairment**

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, loans to customers, trade and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9 are recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applied the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and the days past due.

Impairment on other receivables is measured at either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

The expected credit loss model for loans to customers are summarized below:

- the loans to customers that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis. The significant increase in credit risk exists when the borrower is more than 1 day past due on its contractual payment.

- If the financial instrument is credit-impaired, the financial instrument is then move to “Stage 3”. The expected credit loss is measured on lifetime basis. The credit impaired of the loans to customers is determined by the default on contractual payment and also the particular facts and circumstances of each individual case.
- In Stage 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to recognise a loss allowance for expected credit losses on loans to customers (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The impairment of loans to customers was provided based on the above “three-stage” model; by referring to the change in credit quality since initial recognition.

The Group writes off loans to customers, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicator that there is no reasonable expectation of recovery include ceasing enforcement activity and commencing legal proceeding.

The adjustments on the condensed consolidated statement of financial position as at 1 January 2018 are summarised below:

<b>Statement of financial position (extract)</b>	<i>Notes</i>	<b>31 December 2017 As originally presented HK\$'000</b>	<b>Effect of adoption of HKFRS 9 HK\$'000</b>	<b>1 January 2018 restated HK\$'000</b>
<b>Non-current assets</b>				
Available-for-sale financial assets	<i>11</i>	8,405	(8,405)	—
Financial assets at fair value through other comprehensive income	<i>12</i>	—	8,405	8,405
Deferred tax assets		3,446	14,787	18,233
<b>Total non-current assets</b>		<u>13,519</u>	<u>14,787</u>	<u>28,306</u>
<b>Current assets</b>				
Loans to customers, net	<i>13</i>	536,590	(67,259)	469,331
<b>Total current assets</b>		<u>597,279</u>	<u>(67,259)</u>	<u>530,020</u>
Exchange reserve		(48,927)	(1,973)	(50,900)
Accumulated losses		(1,543,282)	(48,120)	(1,591,402)
Non-controlling interest		16,225	(2,379)	13,846
<b>Total equity/(capital deficiency)</b>		<u>40,107</u>	<u>(52,472)</u>	<u>(12,365)</u>

The total impact on the Group's accumulated losses as at 1 January 2018 is as follows:

	<i>HK\$'000</i>
Closing accumulated losses as at 31 December 2017	1,543,282
Increase in allowance for ECLs on loans to customers	61,563
Income tax credit on temporary difference	<u>(13,443)</u>
Opening accumulated losses as at 1 January 2018	<u><u>1,591,402</u></u>

### 3. SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment of the Group's various lines of business and geographical locations.

Executive directors have determined that the Group has only one single business component/ reportable segment as the Group is only engaged in the Short-term Financing Services comprises pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in the PRC and Hong Kong, which is the basis to allocate resources and assets performance. As this is the only operating segment of the Group no further analysis for segment information is presented.

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

All the Group's revenue are derived from PRC during the six months ended 30 June 2018 and 30 June 2017.

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

	<i>Note</i>	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>
<b>Revenue:</b>					
Interest income from loans to customers		18,043	16,892	36,205	32,582
Financial consultancy income		544	1,280	910	1,842
Interest expense on funds for loans to customers	5	—	(24)	—	(75)
Short-term financing services income, net		18,587	18,148	37,115	34,349
<b>Other income, and other gains and losses, net</b>					
Foreign exchange (loss)/gain, net		(495)	229	(121)	314
Bank interest income		235	266	515	453
Gain/(Loss) on disposal of property, plant and equipment		35	(10)	34	(12)
Sundry income		1	790	29	2,163
		(224)	1,275	457	2,918

## 5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Effective interest expenses on:				
– Convertible bonds	11,400	10,481	22,444	20,704
– Promissory notes	428	424	874	868
Interest expenses on funds for loans to customers	—	24	—	75
	<b>11,828</b>	10,929	<b>23,318</b>	21,647
<i>Less:</i> Interest expenses included in revenue	4	(24)	—	(75)
	<b>11,828</b>	10,905	<b>23,318</b>	21,572

## 6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Staff Costs (excluding Directors' emoluments)				
Salaries, allowance and other benefits	3,029	3,086	5,667	6,166
Pension scheme contributions	461	467	888	960
Auditor's remuneration	279	280	429	510
Minimum lease payments under operating leases for land and buildings	1,181	1,222	2,231	3,285
Depreciation of property, plant and equipment	158	227	345	510

## 7. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statement of profit or loss represents:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	2,542	2,493	5,961	4,609
(Over)/Under-provision in respect of prior periods	(233)	38	(233)	(76)
Withholding tax	493	—	493	—
	<u>2,802</u>	<u>2,531</u>	<u>6,221</u>	<u>4,533</u>
Deferred tax expense/(credit)	2,834	(230)	2,793	(335)
	<u>5,636</u>	<u>2,301</u>	<u>9,014</u>	<u>4,198</u>

- (a) The Company is exempted from payment of the Bermuda income tax.
- (b) The subsidiaries of the Group established in the PRC are subject to enterprise income tax (“EIT”) of the PRC at 25% (2017: 25%).

Pursuant to the relevant laws and implementation rules announced by the People’s Government of the Tibet Autonomous Region, Lhasa Jiade Financial Consultant Company Limited (“Lhasa”), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15%. Upon the announcement of preferential tax treatment, the EIT rate of Lhasa has changed to 9% for the year 2015 to 2017. The EIT rate of Lhasa resumed to 15% as no further announcement of preferential tax treatment was made for the six months ended 30 June 2018.

- (c) For six months ended 30 June 2018, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in Hong Kong (2017: Nil).
- (d) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 10% (2017: 10%).

## 8. DIVIDEND

The Directors do not recommend for payment of a dividend for the Interim Period (2017: Nil).



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

The calculations of basic earnings/(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 earnings/(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.

For the three and six months ended 30 June 2018 and the three and six months ended 30 June 2017, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic earnings/(loss) per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted earnings/(loss) per share. Therefore, the basic and diluted earnings/(loss) per share for the three and six months ended 30 June 2018 and the three and six months ended 30 June 2017 are equal.

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

	<b>Three months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(Loss)</b>		
Profit/(Loss) attributable to the owners of the Company, used in basic earnings/(loss) per share calculation	5,255	(3,107)
Adjustment of profit/(loss) attributable to the owners of the Company:		
Interest saving of the convertible bonds	—*	—*
Profit/(Loss) attributable to the owners of the Company, used in the diluted earnings/(loss) per share calculation	<u>5,255</u>	<u>(3,107)</u>
	<b>Three months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<i>'000</i>	<i>'000</i>
<b>Share</b>		
Weighted average number of ordinary shares for basic earnings/(loss) per share calculation	1,301,118	1,301,118
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	—*	—*
Weighted average number of ordinary shares for diluted earnings/(loss) per share calculation	<u>1,301,118</u>	<u>1,301,118</u>
* No adjustment/effect considered due to anti-dilutive effects		

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b> <i>HK\$ '000</i>	(Unaudited) <i>HK\$ '000</i>
<b>Profit/(Loss)</b>		
Profit/(Loss) attributable to the owners of the Company, used in basic earnings/(loss) per share calculation	<b>896</b>	(8,821)
Adjustment of profit/(loss) attributable to the owners of the Company:		
Interest saving of the convertible bonds	<u>—*</u>	<u>—*</u>
Profit/(Loss) attributable to the owners of the Company, used in the diluted earnings/(loss) per share calculation	<u><b>896</b></u>	<u>(8,821)</u>

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b> <i>'000</i>	(Unaudited) <i>'000</i>
<b>Share</b>		
Weighted average number of ordinary shares for basic earnings/(loss) per share calculation	<b>1,301,118</b>	1,295,814
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	<u>—*</u>	<u>—*</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share calculation	<u><b>1,301,118</b></u>	<u>1,295,814</u>

\* No adjustment/effect considered due to anti-dilutive effects

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the Interim Period, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$80,000 (2017: approximately HK\$515,000). The Group has written off and disposed of property, plant and equipment of approximately HK\$36,000 (2017: approximately HK\$112,000) during the Interim Period.

## **11. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

As at 31 December 2017, the available-for-sale financial assets represented investments in 7% equity interest in 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited\*), a private entity incorporated in the PRC, which is principally engaged in the provision of micro-financing services business. It was measured at cost less any accumulated impairment losses as at 31 December 2017.

On 1 January 2018, the Group adopted HKFRS 9 ‘Financial Instruments’, thus the above equity investments held by the Group was subsequently classified as financial assets at fair value through other comprehensive income which are included in Note 12. The fair value of above equity investments on 1 January 2018 amounted to approximately HK\$8,405,000.

## **12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

Upon the adoption of HKFRS 9 “Financial Instruments’ on 1 January 2018, the Group’s investments in equity interest previously classified as available-for-sale financial assets are now classified as financial assets at fair value through other comprehensive income and subsequent fair value changes are recognised in the consolidated statements of other comprehensive income.

\* *English name for identification purpose only*

### 13. LOANS TO CUSTOMERS

		<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Principal and interest receivable:			
Pawn loans		<b>312,536</b>	316,862
Micro-credit loans		<b>101,967</b>	120,964
Entrusted loans		<b>57,140</b>	106,082
		<hr/>	<hr/>
Loans to customers, gross		<b>471,643</b>	543,908
Less: Provision for impairment loss on loans to customers	<i>13(a)</i>	—	(7,318)
Allowance for ECLs on loans to customers	<i>13(a)</i>	<b>(60,455)</b>	—
		<hr/>	<hr/>
Loans to customers, net		<b>411,188</b>	536,590
		<hr/> <hr/>	<hr/> <hr/>

The loans to customers are arising from the Group's pawn loans, micro-credit loans and entrusted loans services. They represented loan principal and interest receivables from pawn loans, micro-credit loans and entrusted loans. The customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods granted to customers are mainly ranging from one month to one year.

Allowance for ECLs on loans to customers which are short term in duration (i.e. loan term of less than one year) are always measured at an amount equal to lifetime ECLs. Allowance for ECLs on loans to customers which are fall due over one year as at reporting date are measured at an amount of 12-months ECLs. ECLs on loans to customers are estimated using a calculation model using observable data as at the end of the reporting period, including (i) the difference between the interest rates of interest charged by the Group for the loans, and the People's Bank of China ("PBOC") benchmark lending rates; and (ii) administrative service cost of the Group.

\* *English name for identification purpose only*

**(a) Aging Analysis**

Based on the loan commencement date set out in the relevant contracts, aging analysis of the Group's loans to customers, net of allowance for ECLs as at the end of the Interim Period is as follows:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Neither past due nor impaired	—	106,081
Not yet past due	<b>233,258</b>	289,345
1 to 30 days past due	<b>47,616</b>	83,632
31 to 90 days past due	<b>85,651</b>	14,386
91 to 180 days past due	<b>14,835</b>	20,878
181 to 365 days past due	<b>21,607</b>	13,690
over 365 days past due	<b>8,221</b>	8,578
	<b>411,188</b>	536,590

Past due loans as at the end of the reporting period represented loans to customers, of which the whole or part of the principal or interest has been past due for one day or more.

**(b) Movements in allowance for ECLs on loans to customers were as follows:**

Comparative amounts at 31 December 2017 represent the provision for impairment loss on loans to customers under HKAS 39.

	<b>Six months ended 30 June 2018 (Unaudited) HK\$'000</b>	Year ended 31 December 2017 (Audited) HK\$'000
At the beginning of the reporting period	<b>7,318</b>	5,320
Adjustment for HKFRS 9 adoption	<b>67,259</b>	—
Balance at 1 January per HKFRS 9	<b>74,577</b>	5,320
Provision for impairment loss on loans to customers	—	1,534
Write back of allowance for ECLs on loans to customers credited to profit or loss	<b>(13,653)</b>	—
Exchange realignments	<b>(469)</b>	464
At the end of the reporting period	<b>60,455</b>	7,318

#### 14. TRADE RECEIVABLES

At 30 June 2018, the aging analysis of all of the trade receivables based on invoices date are aged over 365 days (31 December 2017: over 365 days). The Group normally allows an average credit term of 30 to 90 days (31 December 2017: 30 to 90 days).

#### 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Prepayments	1,525	2,863
Deposits	344	344
Other receivables	<u>1,154</u>	<u>1,409</u>
	<b><u>3,023</u></b>	<b><u>4,616</u></b>

#### 16. FINANCIAL ASSETS AT AMORTISED COST

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Investment product	<b><u>23,700</u></b>	<u>—</u>

On 12 April 2018, 拉薩嘉德財務顧問有限公司(Lhasa Jiade Financial Consultant Company Limited\*), an indirect wholly-owned subsidiary of the Company, subscribed for the investment product issued by北京首御投資有限公司(Beijing Shouyu Investment Limited Company\*) and registered with銀川產權交易中心(有限公司)(Yinchuan Property Rights Trading Center\*) in the aggregate amount of RMB20,000,000. The Group has assessed the expected credit loss model apply to financial assets at amortised cost as at 30 June 2018. The expected credit loss impact is immaterial to the Group's consolidated financial statements.

#### 17. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

\* English name for identification purpose only

## 18. CONVERTIBLE BONDS

As at 30 June 2018, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of Prima Finance Group outstanding. Summary of the convertible bonds is as follows:

Series	Date of issue	Maturity date	Conversion price per share	Principal amount as at	Amount converted into shares during the year	Outstanding principal amount as at	Amount converted into shares during the period	Outstanding principal amount as at
				1 January 2017 (Audited) HK\$'000	into shares during the year HK\$'000	31 December 2017 (Audited) HK\$'000	into shares during the period HK\$'000	30 June 2018 (Unaudited) HK\$'000
2019 CB	25 June 2014	24 June 2019	HK\$0.35	387,200	—	387,200	—	387,200
2020 CB	6 February 2015	5 February 2020	HK\$0.35	236,000	42,000	194,000	—	194,000

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 current liability and non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the convertible bonds is calculated using effective interest rate ranging from 8.72% to 8.87% (year ended 31 December 2017: 8.72% to 8.87%) per annum.



The movements of above-mentioned convertible bonds were as follows:

	<b>Period from 1 January 2018 to 30 June 2018 (Unaudited) HK\$'000</b>	Year ended 31 December 2017 (Audited) HK\$'000
<b>Equity component</b>		
At the beginning of the reporting period	713,306	754,090
Conversion during the period	—	(40,784)
	<u>713,306</u>	<u>(40,784)</u>
<b>At the end of the reporting period</b>	<b><u>713,306</u></b>	<b><u>713,306</u></b>
<b>Liability component</b>		
At the beginning of the reporting period	527,378	518,324
Effective interest expenses	22,444	42,581
Conversion during the period	—	(33,527)
	<u>527,378</u>	<u>(33,527)</u>
<b>At the end of the reporting period</b>	<b><u>549,822</u></b>	<b><u>527,378</u></b>
<b>Face value, at the end of the reporting period</b>	<b><u>581,200</u></b>	<b><u>581,200</u></b>

The liability portion of convertible bonds was analysed as follows:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Current liabilities	374,328	—
Non-current liabilities	175,494	527,378
	<u>374,328</u>	<u>527,378</u>
	<b><u>549,822</u></b>	<b><u>527,378</u></b>

## 19. PROMISSORY NOTES

	<b>Period from 1 January 2018 to 30 June 2018 (Unaudited) HK\$'000</b>	Year ended 31 December 2017 (Audited) HK\$'000
At the beginning of the reporting period	21,532	19,779
Accrued effective interest expense	<u>874</u>	<u>1,753</u>
Carrying value at the end of the reporting period	<u>22,406</u>	<u>21,532</u>
Face value, at the end of the reporting period	<u>20,000</u>	<u>20,000</u>

As at 30 June 2018, the promissory notes bear interest of 8% per annum and mature in 5 years from the date of issue of 6 February 2015. The effective interest rates of the promissory notes were determined to be approximately 9.01% (year ended 31 December 2017: 9.01%) per annum. The promissory notes were classified under non-current liabilities and measured at amortised cost.

## 20. SHARE CAPITAL

	<i>Note</i>	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>			
As at 31 December 2017 and 30 June 2018, ordinary shares of HK\$0.01 each		<u>10,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>			
As at 1 January 2017, ordinary shares of HK\$0.01 each		1,181,118	11,812
Shares issued upon conversion of convertible bonds	(i)	<u>120,000</u>	<u>1,200</u>
As at 31 December 2017 and 30 June 2018, ordinary shares of HK\$0.01 each		<u>1,301,118</u>	<u>13,012</u>

(i) On 9 January 2017, convertible bonds at a conversion price of HK\$0.35 per share with principal value of HK\$42,000,000 have been converted into 120,000,000 new ordinary shares of the Company.

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

## 21. OPERATING LEASE COMMITMENTS

### As Lessee

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. None of the leases includes contingent rentals.

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

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Within one year	3,606	5,790
In the second to fifth years, inclusive	4,903	8,468
Over five years	2,726	2,882
	<u>11,235</u>	<u>17,140</u>

## 22. 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 June 2018 and 31 December 2017 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

The following table presents the Group's financial assets that was measured at fair value at 30 June 2018.

	<b>Level 1 HK\$'000</b>	<b>Level 2 HK\$'000</b>	<b>Level 3 HK\$'000</b>	<b>Total HK\$'000</b>
<b>Assets</b>				
Financial assets at fair value through other comprehensive income	—	—	8,295	8,295
Total assets	<u>—</u>	<u>—</u>	<u>8,295</u>	<u>8,295</u>

There were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments and no change in valuation techniques during the Interim Period.

Level 3 financial assets at fair value through other comprehensive income were measured at fair value using a discounted cash flow approach which is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. The movement of the investments are as below:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the reporting period	—	—
Adjustment on initial application of HKFRS 9	<b>8,405</b>	—
Exchange realignment	<b>(110)</b>	—
	<hr/>	<hr/>
At the end of the reporting period	<b>8,295</b>	—
	<hr/> <hr/>	<hr/> <hr/>

There was no liabilities measured at fair value as at 30 June 2018.

There was no assets and liabilities measured at fair value as at 31 December 2017.

**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

During the Interim Period, the Group is principally engaged in short-term financing services in the PRC and Hong Kong.

The Group recorded total revenue for the Interim Period of approximately Hong Kong dollars (“HK\$”) 37,115,000 (2017: approximately HK\$34,349,000), representing an increase of approximately HK\$2,766,000 as compared with the corresponding period last year.

The administrative and other expenses for the Interim Period has decreased by approximately HK\$1,898,000 to approximately HK\$15,954,000 (2017: approximately HK\$17,852,000).

The profit attributable to the owners of the Company for the Interim Period was approximately HK\$896,000 (2017: loss of approximately HK\$ 8,821,000). The turnaround from loss to profit attributable to the owners of the Company was mainly attributable to the write back of the allowance for expected credit losses on loans to customers of approximately HK\$13,653,000 being recognised during the Interim Period upon the first-time adoption of Hong Kong Financial Reporting Standards 9 Financial Instruments (“HKFRS 9”). HKFRS 9 was applicable to all items within the scope of Hong Kong Accounting Standard 39 (“HKAS 39”). As disclosed in Note 2 (iii) to the Company’s consolidated financial statements for the year ended 31 December 2017 set out in the Company’s 2017 annual report, HKFRS 9 requires adoption of an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk. The adoption of HKFRS 9 by the Group on 1 January 2018 resulted in an allowance for expected credit losses on loans to customers of approximately HK\$67,259,000 being recognised as at 1 January 2018. An amount of approximately HK\$13,653,000 of such allowance was written back during the Interim Period.

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 12 April 2018, 拉薩嘉德財務顧問有限公司(Lhasa Jiade Financial Consultant Company Limited\*), an indirect wholly-owned subsidiary of the Company, subscribed for the Investment Product issued by北京首御投資有限公司(Beijing Shouyu Investment Limited Company\*), a limited liability company established in the PRC, and registered with銀川產權交易中心(有限公司)(Yinchuan Property Rights Trading Center\*), a legal entity approved by Yinchuan Municipal Government and established under the laws of the PRC, in the aggregate amount of RMB20,000,000 (equivalent to approximately HK\$23,700,000).

\* *English name for identification purpose only*

As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) of the Subscription exceed 5% but are less than 25%, the Subscription constitutes a disclosable transaction of the Company under Chapter 19 of the GEM Listing Rules.

Details are set out in the Company's announcement dated 12 April 2018.

During the six months ended 30 June 2018, save as disclosed above, the Group did not process any other significant investment, acquisition or disposal of subsidiaries or associated companies.

## **ADVANCE TO AN ENTITY**

On 27 June 2017, the Group entered into an entrusted loan agreement with 北京銀行股份有限公司 (Bank of Beijing Co., Ltd.\*) (the "**Lending Bank**") and 北京愛迪泰智能科技有限公司 (Beijing Aiditai Intelligent and Technology Co., Ltd.\*) (the "**Borrower**") pursuant to which the Group entrusted the Lending Bank with an amount of RMB40,000,000 (equivalent to approximately HK\$47,400,000) for the purpose of lending the same to the Borrower for a period of 12 months at an interest rate of 17.4% per annum with interest payable on a monthly basis and the principal amount at the end of the loan period (the "**Transaction**"). A corporate guarantee is provided by Guarantor A and a personal guarantee is provided by Guarantor B, each of which is in favour of Lhasa Jiade Financial Consultant Company Limited, a subsidiary of the Group, to secure the obligations of the Borrower under the entrusted loan agreement. As at 28 June 2017, RMB20,000,000 (equivalent to approximately HK\$23,700,000) was drawn by the Borrower and the total outstanding amount was repaid by the Borrower on 18 July 2017 and 1 August 2017 with RMB10,000,000 each (equivalent to approximately HK\$11,850,000 each). A further advance was granted to the Borrower under the entrusted loan agreement on 8 November 2017 with RMB20,000,000 (equivalent to approximately HK\$23,700,000), which was fully repaid by the Borrower on 30 January 2018 and 31 January 2018 with RMB15,000,000 (equivalent to approximately HK\$17,775,000) and RMB5,000,000 (equivalent to approximately HK\$5,925,000) respectively. Up to the date of this announcement, no further advance has been granted to the Borrower under the entrusted loan agreement.

Details of the Transaction are set out in the announcement of the Company dated 27 June 2017.

## **PROSPECTS**

Looking to the future, although facing with a complicated business environment, and fierce industry competition, the Group is still optimistic about its business aspect. Compared with other financial institutions in the PRC, our short-term financing services business which including provision of pawn loans, micro-financing, entrusted loans and financial consultancy services provides a faster and more flexible service to the small medium enterprises ("**SMEs**") and individual borrowers in the PRC. Going forward, the PRC government is encouraging the development of SMEs, which often have difficulty in obtaining bank loans. Our short-term financing services can cater the needs of these SMEs and the individual borrowers, thereby enhancing the Group's business development in the financing services sector. The Group will grasp the above mentioned opportunities and at the same time will continue to look for opportunities to broaden and diversify our income stream so as to improve the overall operational performance of the Group and enhance the long-term benefits of our shareholders.

\* *English name for identification purpose only*

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group has other debts comprising promissory notes and liability component of convertible bonds of approximately HK\$572,228,000 (31 December 2017: approximately HK\$548,910,000). The Group will try to obtain future financing, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK\$121,704,000 (31 December 2017: approximately HK\$55,893,000) which are mainly denominated in HK\$ and RMB. To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

As at 30 June 2018, the gearing ratio for the Group was approximately negative 17.5 due to the Group's negative equity position (31 December 2017: approximately positive 23.0), calculated based on the total debts (comprising other debts) of approximately HK\$572,228,000 over shareholder's equity of approximately negative HK\$32,721,000. The debt ratio was approximately 1.03 (31 December 2017: approximately 0.93), 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

The capital structure of the Group during the Interim Period is summarised as follows:

### (i) Bank Borrowings

There was no bank borrowings outstanding as at 30 June 2018 and 31 December 2017.

### (ii) Promissory Notes

As at 30 June 2018, the Company had outstanding promissory notes in the principal amount of HK\$20,000,000 issued on 6 February 2015. Summary of the promissory notes is as follows. Further details are set out in Note 19 to the unaudited condensed consolidated financial statements.

Date of issue	Principal amount as at 1 January 2018 (HK\$)	Interest rate per annum	Principal repayment due date	Redeemed principal amount (HK\$)	Outstanding principal amount as at 30 June 2018 (HK\$)
6 February 2015	20,000,000	8%	6 February 2020	—	20,000,000

### (iii) Convertible Bonds

As at 30 June 2018, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of Prima Finance Group outstanding. Summary of the convertible bonds is as follows. Further details are set out in Note 18 to the unaudited condensed consolidated financial statements.

Date of issue	Principal amount as at 1 January 2018 (HK\$)	Maturity Date	Conversion Price per share	Amount converted into shares during the Interim Period (HK\$)	Outstanding principal amount as at 30 June 2018 (HK\$)	Number of Shares to be issued upon full conversion as at 30 June 2018
25 June 2014	387,200,000	24 June 2019	HK\$0.35	—	387,200,000	1,106,285,714
6 February 2015	194,000,000	5 February 2020	HK\$0.35	—	194,000,000	554,285,714

### FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 2018, 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 currency, i.e. RMB, used by the respective group entities.

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 June 2018, 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 June 2018, 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.

### CHARGE OF GROUP ASSETS

As at 30 June 2018 and 31 December 2017, the Group did not have any assets under charged.



## **EMPLOYEE INFORMATION AND REMUNERATION POLICY**

As at 30 June 2018, the Group employed a total of 73 employees (31 December 2017: 78). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees. Staff costs, excluding Directors' emoluments, for the Interim Period amounted to approximately HK\$6,555,000 (30 June 2017: approximately HK\$7,126,000).

The Company adopted the Share Option Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the Share Option Scheme during the Interim Period.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any material contingent liability (31 December 2017: 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 June 2018, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which (i) were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the Interim Period was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2018.

## 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 June 2018, the following companies and persons had interests in more than 5% of the Company's issued shares:

### 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	106.41
Mr. Dai Di (Note 1)	—	1,384,571,429	1,384,571,429	106.41
Time Prestige Holdings Limited (Note 2)	161,142,857	—	161,142,857	12.38
Mr. Dai Hao (Notes 2 and 3)	—	563,999,999	563,999,999	43.34
Bustling Capital Limited (Note 3)	402,857,142	—	402,857,142	30.96
Ms. Jin Yu (Notes 2 and 3)	—	563,999,999	563,999,999	43.34
Silver Palm Limited (Note 4)	71,428,571	—	71,428,571	5.49
Mr. Wang Jia Sheng (Note 4)	—	71,428,571	71,428,571	5.49

#### Notes:

- The 1,384,571,429 Shares held by Exuberant Global Limited (“**Exuberant Global**”) represent (i) 294,200,000 Shares; and (ii) 1,090,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global 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.
- The 161,142,857 Shares held by Time Prestige Holdings Limited (“**Time Prestige**”) represent (i) 26,800,000 Shares; and (ii) 134,342,857 Shares to be issued upon full conversion of the convertible bonds. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital Limited (“**Bustling Capital**”).
- The 402,857,142 Shares held by Bustling Capital represent (i) 67,000,000 Shares; and (ii) 335,857,142 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital 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.

4. Silver Palm Limited (“**Silver Palm**”) is wholly and beneficially owned by Mr. Wang Jia Sheng (“**Mr. Wang**”). Accordingly, Mr. Wang is deemed to be interested in the 71,428,571 Shares held by Silver Palm.
5. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 June 2018 (i.e. 1,301,118,056 Shares).

Save as disclosed above, the Directors are not aware of any person who, as at 30 June 2018, 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 June 2018, there was no outstanding share option under the Scheme.

As at the date of this announcement, a maximum of 130,111,805 shares, representing approximately 10% of the existing issued share capital of the Company, are available for issuance under the Share Option Scheme.

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

The Company has adopted the code of conduct for securities transactions by the Directors on terms no less exacting than the Rules 5.48 to 5.67 (the “**Model Code**”) of the GEM Listing Rules. The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the Interim Period.

## **INTERESTS IN A COMPETING BUSINESS**

During the Interim Period, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interests with the Group.

## **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 promoting a high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. 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 deviation:

### **CODE PROVISION A.2.1**

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei was appointed as Chairman and chief executive officer of the Company (the “CEO”) on 1 December 2015. Given the size and that the Company's and the Group's current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018.

## 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**  
**Zhang Wei**  
*Chairman and Executive Director*

Hong Kong, 10 August 2018

*As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Mr. Yang Bo; the non-executive Director is Mr. Zang Wei; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Du Hui and Dr. Wong Wing Kuen Albert.*

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

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