



**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)**

**THIRD QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

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

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**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 nine (the “**Period**”) months ended 30 September 2018 together with the comparative figures in 2017 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the three months and nine months ended 30 September 2018*

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	4	29,374	18,822	66,489	53,171
Other income, and other gains and losses, net	4	451	1,180	908	4,098
Administrative and other expenses		(8,248)	(8,577)	(24,202)	(26,429)
Provision for impairment on loans to customers		—	(173)	—	(1,514)
(Provision for)/Write back of expected credit losses (ECLs) on loans to customers		(4,423)	—	9,230	—
Finance costs	5	(12,212)	(11,260)	(35,530)	(32,832)
<b>Profit/(Loss) before income tax</b>	6	<b>4,942</b>	<b>(8)</b>	<b>16,895</b>	<b>(3,506)</b>
Income tax expense	7	(3,033)	(2,407)	(12,047)	(6,605)
<b>Profit/(Loss) for the period</b>		<b>1,909</b>	<b>(2,415)</b>	<b>4,848</b>	<b>(10,111)</b>
<b>Attributable to:</b>					
Owners of the Company		1,894	(3,107)	2,790	(11,928)
Non-controlling interests		15	692	2,058	1,817
		<b>1,909</b>	<b>(2,415)</b>	<b>4,848</b>	<b>(10,111)</b>
<b>Earnings/(Loss) per share attributable to owners of the Company</b>	9				
— Basic and diluted (Hong Kong cents)		<b>0.15</b>	<b>(0.24)</b>	<b>0.21</b>	<b>(0.92)</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months and nine months ended 30 September 2018*

	Three months ended		Nine months ended	
	30 September		30 September	
	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>1,909</b>	<b>(2,415)</b>	<b>4,848</b>	<b>(10,111)</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>(20,789)</u>	<u>10,468</u>	<u>(28,483)</u>	<u>26,823</u>
<b>Total other comprehensive (expense)/income for the period, net of tax</b>	<u>(20,789)</u>	<u>10,468</u>	<u>(28,483)</u>	<u>26,823</u>
<b>Total comprehensive (expense)/income for the period</b>	<u>(18,880)</u>	<u>8,053</u>	<u>(23,635)</u>	<u>16,712</u>
<b>Attributable to:</b>				
Owners of the Company	(18,244)	7,034	(24,754)	14,069
Non-controlling interests	<u>(636)</u>	<u>1,019</u>	<u>1,119</u>	<u>2,643</u>
	<u>(18,880)</u>	<u>8,053</u>	<u>(23,635)</u>	<u>16,712</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	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			
	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	—	—	—	—	—	—	—	2,790	2,790	2,058	4,848
<b>Other comprehensive expense</b>											
<i>Item that will be reclassified to profit or loss</i>											
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(27,544)	—	—	—	(27,544)	(939)	(28,483)
<b>Total other comprehensive expense for the period</b>	—	—	—	—	(27,544)	—	—	—	(27,544)	(939)	(28,483)
<b>Total comprehensive (expense)/ income for the period</b>	—	—	—	—	(27,544)	—	—	2,790	(24,754)	1,119	(23,635)
At 30 September 2018 (Unaudited)	<u>13,012</u>	<u>616,828</u>	<u>131,109</u>	<u>120,794</u>	<u>(78,444)</u>	<u>713,306</u>	<u>21,042</u>	<u>(1,588,612)</u>	<u>(50,965)</u>	<u>14,965</u>	<u>(36,000)</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 nine months ended 30 September 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			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2017 (Audited)</b>	11,812	543,717	131,109	120,794	(87,640)	754,090	16,784	(1,524,289)	(33,623)	15,179	(18,444)
(Loss)/Profit for the period	—	—	—	—	—	—	—	(11,928)	(11,928)	1,817	(10,111)
<b>Other comprehensive income</b>											
<i>Item that will be reclassified to profit or loss</i>											
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	25,997	—	—	—	25,997	826	26,823
<b>Total other comprehensive income for the period</b>	—	—	—	—	25,997	—	—	—	25,997	826	26,823
<b>Total comprehensive income/ (expense) for the period</b>	—	—	—	—	25,997	—	—	(11,928)	14,069	2,643	16,712
<b>Transactions with owners</b>											
Conversion of convertible bonds (Note)	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 September 2017 (Unaudited)</b>	<u>13,012</u>	<u>616,828</u>	<u>131,109</u>	<u>120,794</u>	<u>(61,643)</u>	<u>713,306</u>	<u>16,784</u>	<u>(1,536,217)</u>	<u>13,973</u>	<u>17,822</u>	<u>31,795</u>

*Note:*

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.

# 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 Period, the Company is principally engaged in investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the 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 unaudited condensed consolidated third quarterly financial statements of the Group for the three and nine months ended 30 September 2018 (the “**Third Quarterly Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance and Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Exchange (the “**GEM Listing Rules**”).

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

The preparation of the Third Quarterly Financial Statements 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 Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performances 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, Hong Kong Accounting Standards (“**HKASs**”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**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 Third Quarterly 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 Third Quarterly 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 Third Quarterly 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>	31 December 2017 As originally presented <i>HK\$'000</i>	Effect of adoption of HKFRS 9 <i>HK\$'000</i>	<b>1 January 2018 restated <i>HK\$'000</i></b>
<b>Non-current assets</b>			
Available-for-sale financial assets	8,405	(8,405)	—
Financial assets at fair value through other comprehensive income	—	8,405	<b>8,405</b>
Deferred tax assets	3,446	14,787	<b>18,233</b>
<b>Total non-current assets</b>	<u>13,519</u>	<u>14,787</u>	<u><b>28,306</b></u>
<b>Current assets</b>			
Loans to customers, net	536,590	(67,259)	<b>469,331</b>
<b>Total current assets</b>	<u>597,279</u>	<u>(67,259)</u>	<u><b>530,020</b></u>
Exchange reserve	(48,927)	(1,973)	<b>(50,900)</b>
Accumulated losses	(1,543,282)	(48,120)	<b>(1,591,402)</b>
Non-controlling interest	16,225	(2,379)	<b>13,846</b>
<b>Total equity/(capital deficiency)</b>	<u>40,107</u>	<u>(52,472)</u>	<u><b>(12,365)</b></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 nine months ended 30 September 2018 and 30 September 2017.

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

	<i>Note</i>	Three months ended		Nine months ended	
		30 September	30 September	30 September	30 September
		2018	2017	2018	2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue:</b>					
Interest income from loans to customers		17,753	18,299	53,958	50,881
Financial consultancy income		11,621	523	12,531	2,365
Interest expenses on funds for loans to customers	5	—	—	—	(75)
Short-term financing services income, net		29,374	18,822	66,489	53,171
<b>Other income, and other gains and losses, net</b>					
Foreign exchange (loss)/gain, net		(350)	126	(471)	440
Bank interest income		292	160	807	613
(Loss)/Gain on disposal of property, plant and equipment		(1)	(3)	33	(15)
Sundry income		510	897	539	3,060
		<u>451</u>	<u>1,180</u>	<u>908</u>	<u>4,098</u>

## 5. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest expenses on:				
— Convertible bonds	11,771	10,823	34,215	31,527
— Promissory notes	441	437	1,315	1,305
Interest expenses on funds for loans to customers	—	—	—	75
	<u>12,212</u>	<u>11,260</u>	<u>35,530</u>	<u>32,907</u>
Less: Interest expenses included in revenue	4	—	—	(75)
	<u>12,212</u>	<u>11,260</u>	<u>35,530</u>	<u>32,832</u>

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

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (excluding Directors' emoluments)				
Salaries, allowance and other benefits	3,420	2,978	9,087	9,144
Pension scheme contributions	524	488	1,412	1,448
Auditor's remuneration	251	182	680	693
Minimum lease payments under operating leases for land and buildings	822	1,201	3,053	4,486
Depreciation of property, plant and equipment	139	220	484	730
	<u>139</u>	<u>220</u>	<u>484</u>	<u>730</u>

## 7. INCOME TAX EXPENSE

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

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	3,465	2,452	9,426	7,061
Under/(Over)-provision in respect of prior periods	5	(1)	(228)	(77)
Withholding tax	639	—	1,132	—
	<u>4,109</u>	<u>2,451</u>	<u>10,330</u>	<u>6,984</u>
Deferred tax (credit)/expense	(1,076)	(44)	1,717	(379)
Income tax expense	<u><u>3,033</u></u>	<u><u>2,407</u></u>	<u><u>12,047</u></u>	<u><u>6,605</u></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 nine months ended 30 September 2018.

- (c) For nine months ended 30 September 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 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 nine months ended 30 September 2018 and three and nine months ended 30 September 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 nine months ended 30 September 2018 and three and nine months ended 30 September 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</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit/(Loss)</b>		
Profit/(Loss) attributable to the owners of the Company, used in basic earnings/(loss) per share calculation	<b>1,894</b>	(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	<b><u>1,894</u></b>	<b><u>(3,107)</u></b>

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

**Three months ended**  
**30 September**  
**2018**                      2017  
**(Unaudited)**              (Unaudited)  
**'000**                        '000

**Share**

Weighted average number of ordinary shares for basic earnings/(loss) per share calculation	<b>1,301,118</b>	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	<b>1,301,118</b>	1,301,118

**Nine months ended**  
**30 September**  
**2018**                      2017  
**(Unaudited)**              (Unaudited)  
**HK\$'000**                      **HK\$'000**

**Profit/(Loss)**

Profit/(Loss) attributable to the owners of the Company, used in basic earnings/(loss) per share calculation	<b>2,790</b>	(11,928)
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	<b>2,790</b>	(11,928)

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

<b>Nine months ended</b>	
<b>30 September</b>	
<b>2018</b>	2017
<b>(Unaudited)</b>	(Unaudited)
<b>'000</b>	'000

**Share**

Weighted average number of ordinary shares for basic earnings/(loss) per share calculation	<b>1,301,118</b>	1,297,602
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	<b><u>1,301,118</u></b>	<b><u>1,297,602</u></b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

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

The Group recorded total revenue for the Period of approximately Hong Kong dollars (“**HK\$**”) 66,489,000 (2017: approximately HK\$53,171,000), representing an increase of approximately HK\$13,318,000 as compared with the corresponding period last year. The revenue increment for the Period was mainly attributable to the significant increase in the financial consultancy income of approximately HK\$10,166,000, as the Group has provided a consultancy service in relation to acquisition of equity interest in an independent third party and received a fee of RMB10,000,000.

The administrative and other expenses for the Period has decreased by approximately HK\$2,227,000 to approximately HK\$24,202,000 (2017: approximately HK\$26,429,000).

The profit attributable to the owners of the Company for the Period was approximately HK\$2,790,000 (2017: loss of approximately HK\$11,928,000). The turnaround from loss to profit attributable to the owners of the Company was mainly attributable to the significant increase in financial consultancy income discussed above and the write back of the allowance for expected credit losses on loans to customers of approximately HK\$9,230,000 being recognised during the 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\$9,230,000 of such allowance was written back during the 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 an aggregate amount of RMB20,000,000 (equivalent to approximately HK\$22,788,000).

\* English name for identification purposes 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 of the Subscription are set out in the Company's announcement dated 12 April 2018.

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

## **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. 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.

## **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 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 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 Period.

## 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 2018, the following companies and persons 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	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:

1. 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.

2. 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**”).
3. 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 September 2018 (i.e. 1,301,118,056 Shares).

Save as disclosed above, the Directors are not aware of any person who, as at 30 September 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.

## **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 Period.

## **INTERESTS IN A COMPETING BUSINESS**

As at 30 September 2018, 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) had engaged in any business that competes or might compete with the business of the Group, or had 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 Period.

## AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the 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, 9 November 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 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>.*