



**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)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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

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

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

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

*This announcement, for which the directors (the “**Directors**”) of Capital Finance Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock 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 in this announcement misleading.*

The board of directors (the “**Board**”) of Capital Finance Holdings Limited (the “**Company**”) is pleased to report the unaudited condensed consolidated quarterly results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2017 (the “**Period**”) together with the comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
*Period ended 31 March 2017*

	Note	Three months ended 31 March	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Continuing operation</b>			
Revenue	4	16,201	37,781
Other income, and other gains and losses, net	4	1,643	2,446
Administrative and other expenses		(9,874)	(13,216)
Fair value gain on contingent consideration			
– consideration shares	11	–	1,141
Loss on early redemption of promissory notes		–	(249)
(Provision for) Reversal of impairment loss on loans to customers		(420)	714
Finance costs	5	(10,667)	(10,555)
<b>(Loss) Profit before income tax from continuing operation</b>	6	<b>(3,117)</b>	18,062
Income tax expense	7	(1,897)	(4,747)
<b>(Loss) Profit for the period from continuing operation</b>		<b>(5,014)</b>	13,315
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	9	–	1,654
<b>(Loss) Profit for the period</b>		<b>(5,014)</b>	14,969
<b>Attributable to:</b>			
Owners of the Company		(5,714)	14,220
Non-controlling interests		700	749
		<b>(5,014)</b>	14,969
<b>(Loss) Earnings per share attributable to owners of the Company</b>			
	10		
From continuing and discontinued operations			
Basic (Hong Kong cents)		(0.44)	1.22
Diluted (Hong Kong cents)		(0.44)	0.83
From continuing operation			
Basic (Hong Kong cents)		(0.44)	1.08
Diluted (Hong Kong cents)		(0.44)	0.77

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Period ended 31 March 2017*

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Loss) Profit for the period</b>	<b>(5,014)</b>	<b>14,969</b>
<b>Other comprehensive income for the period, net of tax:</b>		
<i>Item that will be reclassified to profit or loss:</i>		
Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	–	3,654
Exchange differences on translation of financial statements of foreign operations	<u>5,057</u>	<u>6,102</u>
<b>Total other comprehensive income for the period, net of tax</b>	<u>5,057</u>	<u>9,756</u>
<b>Total comprehensive income for the period</b>	<u><u>43</u></u>	<u><u>24,725</u></u>
<b>Attributable to:</b>		
Owners of the Company	<b>(809)</b>	<b>23,859</b>
Non-controlling interests	<u>852</u>	<u>866</u>
	<u><u>43</u></u>	<u><u>24,725</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 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	
As 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	-	-	-	-	-	-	-	(5,714)	(5,714)	700	(5,014)
<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	-	-	-	-	4,905	-	-	-	4,905	152	5,057
<b>Total other comprehensive income for the period</b>	-	-	-	-	4,905	-	-	-	4,905	152	5,057
<b>Total comprehensive income for the period</b>	-	-	-	-	4,905	-	-	(5,714)	(809)	852	43
<b>Transactions with owners</b>											
Conversion of convertible bonds (Note (i))	1,200	73,111	-	-	-	(40,784)	-	-	33,527	-	33,527
<b>As at 31 March 2017 (Unaudited)</b>	<b>13,012</b>	<b>616,828</b>	<b>131,109</b>	<b>120,794</b>	<b>(82,735)</b>	<b>713,306</b>	<b>16,784</b>	<b>(1,530,003)</b>	<b>(905)</b>	<b>16,031</b>	<b>15,126</b>

Note:

- (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.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*For the three months ended 31 March 2016*

	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	Other reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2016 (Audited)	11,547	534,438	131,109	120,794	(40,837)	754,090	9,544	13,936	(1,267,035)	267,586	15,335	282,921
Profit for the period	-	-	-	-	-	-	-	-	14,220	14,220	749	14,969
<b>Other comprehensive income</b>												
<i>Item that will be reclassified to profit or loss</i>												
Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	-	-	-	-	3,654	-	-	-	-	3,654	-	3,654
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	5,985	-	-	-	-	5,985	117	6,102
<b>Total other comprehensive income for the period</b>	-	-	-	-	9,639	-	-	-	-	9,639	117	9,756
<b>Total comprehensive income for the period</b>	-	-	-	-	9,639	-	-	-	14,220	23,859	866	24,725
<b>Transactions with owners</b>												
Issue of new shares upon fulfillment of guaranteed profit (Note (i))	265	9,279	-	-	-	-	(9,544)	-	-	-	-	-
<b>As at 31 March 2016 (Unaudited)</b>	<b>11,812</b>	<b>543,717</b>	<b>131,109</b>	<b>120,794</b>	<b>(31,198)</b>	<b>754,090</b>	<b>-</b>	<b>13,936</b>	<b>(1,252,815)</b>	<b>291,445</b>	<b>16,201</b>	<b>307,646</b>

### Note:

- (i) The final settlement value of the 2015 Contingent Shares (as defined in the Annual Report 2016) of HK\$9,544,000 was fully settled by the allotment and issuance of approximately 26,512,000 shares of the Company on 16 March 2016, of which approximately HK\$265,000 was credited to share capital and the remaining balance of approximately HK\$9,279,000 was credited to share premium account.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*Period ended 31 March 2017*

## 1. GENERAL INFORMATION

Capital Finance Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on The Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business has been changed from Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong to Unit 2613A, 26/F., Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong with effect from 13 February 2017.

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**”), further details of which are set out in Note 3. The Group was also engaged in business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC (“**Development and Sales of Software**”) which was discontinued in the last financial period from 1 January 2016 to 31 March 2016, further details of which are set out in Note 3 and Note 9.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The unaudited condensed consolidated first quarterly financial statements of the Group for the three months ended 31 March 2017 (the “**First Quarterly Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The preparation of the First Quarterly Financial Statements requires the management to make judgments, 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 First 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 2016, 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 Interpretation 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 2016 (the “**Annual Report**”).

## 2.2 Principal accounting policies

The First Quarterly Financial Statements have been prepared on the historical costs basis, except for contingent consideration which has been measured at fair value.

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

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

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

## 3. SEGMENT INFORMATION

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

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

- (a) The short-term financing services segment comprises pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in the PRC and Hong Kong; and
- (b) Development and sales of software segment comprised development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. The Group completed the disposal of development and sales of software business on 31 March 2016. Accordingly, the development and sales of software segment was classified as a discontinued operation, details of which are set out in Note 9.

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

## Reportable segments

### (i) Business segments

For the period ended 31 March 2017, executive directors have determined that the Group has only one single business component/ reportable segment (excluded the one classified as discontinued operation as detailed in Note 9) as the Group is only engaged in the Short-term Financing Services, which is the basis to allocate resources and assess performance.

### (ii) Geographical segments

All the Group's revenue from continuing and discontinued operations are derived from PRC during the three months ended 31 March 2017 and 31 March 2016.

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

		Three months ended 31 March	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
<b>Continuing operation</b>			
<b>Revenue:</b>			
Interest income from loans to customers		15,690	20,659
Financial consultancy income		562	17,394
Interest expense on funds for loans to customers	5	(51)	(272)
		<u>16,201</u>	<u>37,781</u>
<b>Short-term financing services income, net</b>			
		<u>16,201</u>	<u>37,781</u>
<b>Other income, and other gains and losses, net</b>			
Foreign exchange gain, net		85	55
Bank interest income		187	231
Loss on disposal of property, plant and equipment		(2)	(4)
Waive of interest expenses on promissory note		–	1,600
Sundry income		1,373	564
		<u>1,373</u>	<u>564</u>
		<u>1,643</u>	<u>2,446</u>



## 5. FINANCE COSTS

	Note	Three months ended 31 March	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Continuing operation</b>			
Effective interest expenses on:			
– Convertible bonds		10,223	10,084
– Promissory notes		444	471
Interest expense on funds for loans to customers		51	272
		<u>10,718</u>	<u>10,827</u>
Less: Interest expense included in revenue	4	<u>(51)</u>	<u>(272)</u>
		<u><u>10,667</u></u>	<u><u>10,555</u></u>

## 6. (LOSS) PROFIT BEFORE INCOME TAX

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

	Three months ended 31 March	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Continuing operation</b>		
Depreciation of property, plant and equipment	283	294
<b>Discontinued operation</b>		
Depreciation of property, plant and equipment	–	123
Amortisation of intangible assets	–	370
	<u>–</u>	<u>370</u>

## 7. INCOME TAX EXPENSE

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

	<b>Three months ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operation</b>		
<b>Current tax</b>		
PRC		
Current tax charge for the period	2,116	4,568
Over-provision in respect of prior periods	(114)	–
Deferred tax (credit) expense	(105)	179
	<u>1,897</u>	<u>4,747</u>
Income tax expense for continuing operation	<u>1,897</u>	<u>4,747</u>
<b>Discontinued operation</b>		
<b>Current tax</b>		
PRC		
Deferred tax credit	–	(6)
	<u>–</u>	<u>(6)</u>
Income tax credit for discontinued operation	<u>–</u>	<u>(6)</u>
Total income tax expense for continuing and discontinued operations	<u><u>1,897</u></u>	<u><u>4,741</u></u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the current and prior periods.

The subsidiaries of the Group established in the PRC are subject to enterprise income tax (“EIT”) of the PRC at 25% (2016: 25%), except for Beijing Auto-serve Software Company Limited which is subject to EIT of the PRC at a preferential rate of 15% for high and new technology enterprises up to 2017.

Pursuant to the relevant laws and implementation rules announced by the People's Government of the Tibet Autonomous Region, a subsidiary of the Group, Lhasa Jiade Financial Consultant Company Limited (“Lhasa”), established in Tibet of the PRC is subject to the EIT of the PRC at 15% up to 2020, and based on the tax ruling announced by the PRC central tax authorities, the EIT rate of Lhasa is 9% for year 2015 to 2017 and from 2018 onwards, the EIT rate will resume to 15% if no further announcement of preferential tax treatment is made.

## 8. DIVIDEND

The Directors do not recommend for payment of a dividend for the Period (2016: Nil).

## 9. DISCONTINUED OPERATION

### Development and Sales of Software Operation

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto-serve Software Company Limited (“**Beijing Auto**”) and entire issued share capital of Vibrant Youth Limited (“**Vibrant Youth**”) (collectively referred to as the “**Auto-serve Group**”) at an aggregate consideration of HK\$26,208,000 to connected persons, a director of Beijing Auto and his controlling company, of the Company. The Auto-serve Group carried out all of the Group’s development and sales of software operation. Accordingly, the Group’s development and sales of software operation was classified as a discontinued operation. The disposal was completed on 31 March 2016.

The results of the discontinued operation for the period ended 31 March 2016 has been presented separately in the condensed consolidated income statement.

	Note	Three months ended 31 March 2016 (Unaudited) HK\$'000
Revenue		4,730
Cost of sales		<u>(1,384)</u>
Gross profit		3,346
Other gains and losses, net		403
Administrative and other expenses		<u>(4,134)</u>
Operating loss		(385)
Gain on disposal of subsidiaries	12	<u>2,033</u>
<b>Profit before income tax</b>		1,648
Income tax credit	7	<u>6</u>
Profit for the period		<u><u>1,654</u></u>

The earnings per share information of the discontinued operation was as follows:

Three months  
ended 31  
March 2016  
(Unaudited)  
HK\$'000

Earnings per share for the discontinued operation attributable to owners of the Company:

Basic (Hong Kong cents)	<u><u>0.14</u></u>
Diluted (Hong Kong cents)	<u><u>0.06</u></u>

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

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

The calculations of basic (loss) earnings per share for the current and prior periods are based on the (loss) profit 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 (loss) earnings per share for the current and prior periods are based on the (loss) profit 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 months ended 31 March 2016, the diluted earnings per share from (i) continuing and discontinued operations; (ii) continuing operation; and (iii) discontinued operation would reduce if the Company's outstanding convertible bonds were taken into account, as those convertible bonds had a dilutive effect to the basic earnings per share and hence the above potential dilutive shares is assumed in the computation of diluted earnings per share.

For the three months ended 31 March 2017, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted loss per share for the three months ended 31 March 2017 are equal.

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

	Continuing operation		Discontinued operation		Total	
	Three months ended 31 March					
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>(Loss) Profit</b>						
(Loss) Profit attributable to the owners of the Company, used in basic (loss) earnings per share calculation	(5,714)	12,566	–	1,654	(5,714)	14,220
Adjustment of (loss) profit attributable to the owners of the Company:						
Interest saving of the convertible bonds	–*	10,084	–	–	–*	10,084
(Loss) Profit attributable to the owners of the Company, used in the diluted (loss) earnings per share calculation	<u>(5,714)</u>	<u>22,650</u>	<u>–</u>	<u>1,654</u>	<u>(5,714)</u>	<u>24,304</u>
	Continuing operation		Discontinued operation		Total	
	Three months ended 31 March					
	2017 (Unaudited) '000	2016 (Unaudited) '000	2017 (Unaudited) '000	2016 (Unaudited) '000	2017 (Unaudited) '000	2016 (Unaudited) '000
<b>Share</b>						
Weighted average number of ordinary shares for basic (loss) earnings per share calculation	1,290,451	1,159,267	–	1,159,267	1,290,451	1,159,267
Effect of dilutive potential ordinary shares:						
Conversion of convertible bonds	–*	1,780,571	–	1,780,571	–*	1,780,571
Weighted average number of ordinary shares for diluted (loss) earnings per share calculation	<u>1,290,451</u>	<u>2,939,838</u>	<u>–</u>	<u>2,939,838</u>	<u>1,290,451</u>	<u>2,939,838</u>

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

## 11. CONTINGENT CONSIDERATION

In relation to the disposal of Auto-serve Group, a termination agreement was entered by the Company and the vendors, who is also the purchasers of Auto-serve Group, where the contingent consideration shares payable of approximately HK\$26,241,000 by the Company were terminated on 24 March 2016. Further details of the agreement are set out in the announcement of the Company dated 24 March 2016.

The fair value gain on contingent consideration – consideration shares arising in prior period of approximately HK\$1,141,000 was attributable to the fair value measurement of the consideration shares before the derecognition upon date of disposal. The fair value was determined with reference to the trading price of the Company's shares, the latest financial information of the Auto-serve Group, the Auto-serve Group's financial performance forecast and other relevant indicators.

## 12. DISPOSAL OF SUBSIDIARIES

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth at an aggregate consideration of HK\$26,208,000 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation which comprises sales and development of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. Further details of the completion of the disposal are set out in announcements of the Company dated 24 March 2016 and 31 March 2016. The net assets of the Auto-serve Group at the date of disposal were as follows:

**HK\$'000**

Intangible assets	17,725
Goodwill	20,189
Property, plant and equipment	1,373
Deferred tax assets	324
Trade and other receivables, and prepayment	9,511
Tax recoverable	496
Amount due from a Group's subsidiary	994
Amount due from a related party	1
Cash and cash equivalents	3,958
Other payables and receipt in advance	(3,877)
Deferred tax liabilities	(4,196)
	<hr/>
Net assets of the Auto-serve Group	46,498
Termination of contingent consideration payable (Note 11)	(26,241)
Exchange reserve released on disposal	3,654
Direct costs incurred for the disposal	264
Gain on disposal of subsidiaries (Note 9)	2,033
	<hr/>
Total cash consideration received	<u>26,208</u>

**HK\$'000**

**Net cash inflow arising on disposal:**

Cash consideration	26,208
Repayment of amount due to Vibrant Youth	(994)
Costs directly attributable to the disposal	(264)
Cash and cash equivalents disposed of	<u>(3,958)</u>
	<u><u>20,992</u></u>

## **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 was also engaged in business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC which was discontinued in the last financial period from 1 January 2016 to 31 March 2016. Details are disclosed in Note 9 to the unaudited condensed consolidated financial statements.

The Group recorded total revenue for the Period of approximately Hong Kong dollars (“**HK\$**”) 16,201,000 (2016: approximately HK\$37,781,000) from continuing operation, representing a decrease of approximately HK\$21,580,000 as compared with last period. The decrease was mainly attributable to the significant decrease in financial consultancy income during the Period due to the unfavorable market environment and the slowdown in economic growth in Mainland China.

The administrative and other expenses for the Period from continuing operation has decreased by approximately HK\$3,342,000 to approximately HK\$9,874,000 (2016: approximately HK\$13,216,000).

The loss attributable to the owners of the Company for the Period was approximately HK\$5,714,000 (2016: profit of approximately HK\$14,220,000) was mainly attributable to the effect of decrease in revenue discussed above.

### **CONTINUING OPERATION**

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

During the Period, the revenue of short-term financing services business was approximately HK\$16,201,000 (2016: approximately HK\$37,781,000). The operating results of the short-term financing services recorded a profit before income tax of approximately HK\$10,506,000 (2016: approximately HK\$29,903,000). The significant decrease in operating profit for the Period when compared with the last corresponding period was mainly attributable to decrease in revenue discussed above.

### **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

During the three months ended 31 March 2017, the Group did not process any significant investment, acquisition or disposal of subsidiaries or associated companies.



## PROSPECTS

Looking ahead, the global business environment is expected to be complex and continued to create challenging operating conditions for businesses. In the PRC, we expect that the industry competition in short-term financing services business will remain intense, while the regulatory environment continues to be challenging. Faced with these uncertainties, the Group still remain cautiously optimistic about its business prospect. The Group will continue to leverage on its competitive advantage, solidity and further develop and expand the scope of its short-term financing services. Apart from strengthening the present Beijing market, the Group will further expand its business in Shenyang, Lhasa, Hong Kong and others cities. At the same time, the Group will prudently explore new potential projects and new business opportunities in order to provide new and sustainable drivers for the Group's overall performance.

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

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long position in the Shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding in the Company (Note)
Ms. Li Wei	Beneficial owner	1,932,000	0.14

Note: The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 March 2017 (i.e. 1,301,118,056 Shares).

Save for those disclosed above, as at 31 March 2017, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the three months ended 31 March 2017 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 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the three months ended 31 March 2017.

## 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 31 March 2017, the following companies had interests in more than 5% of the Company's issued share capital:

### Long Position in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company (Note 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	1,384,571,429	–	1,384,571,429	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 31 March 2017 (i.e. 1,301,118,056 Shares).

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and or any Associated Corporation” above) who, as at 31 March 2017, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

#### **INTERESTS IN A COMPETING BUSINESS**

As at 31 March 2017, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or might compete with the business of the Group, or have any other conflict of interests with the Group 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.

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

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the 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.

## 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, 12 May 2017

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

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