

CFHL

Capital Finance Holdings Limited

首都金融控股有限公司

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

(Stock Code: 8239)

Third Quarterly Report

2017

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

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

The board of directors (the “**Board**”) of Capital Finance Holdings Limited (the “**Company**”) is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three (the “**Quarterly Period**”) and nine (the “**Period**”) months ended 30 September 2017 together with the comparative figures in 2016 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2017

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Continuing operation					
Revenue	4	18,822	24,747	53,171	95,369
Other income, and other gains and losses, net	4	1,180	2,498	4,098	6,037
Administrative and other expenses		(8,577)	(11,783)	(26,429)	(35,989)
Loss on early redemption of promissory notes		–	–	–	(249)
Fair value gain on contingent consideration – consideration shares	11	–	–	–	1,141
(Provision for) Reversal of impairment on loans to customers		(173)	1,227	(1,514)	1,637
Finance costs	5	(11,260)	(11,066)	(32,832)	(32,340)
(Loss) Profit before income tax from continuing operation	6	(8)	5,623	(3,506)	35,606
Income tax expense	7	(2,407)	(5,429)	(6,605)	(14,773)

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the nine months ended 30 September 2017

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(Loss) Profit for the period from continuing operation		(2,415)	194	(10,111)	20,833
Discontinued operation					
Profit for the period from discontinued operation	9	–	–	–	1,654
(Loss) Profit for the period		(2,415)	194	(10,111)	22,487
Attributable to:					
Owners of the Company		(3,107)	(497)	(11,928)	20,423
Non-controlling interests		692	691	1,817	2,064
		(2,415)	194	(10,111)	22,487
(Loss) Earnings per share attributable to owners of the Company	10				
From continuing and discontinued operations					
– Basic (Hong Kong cents)		(0.24)	(0.04)	(0.92)	1.74
– Diluted (Hong Kong cents)		(0.24)	(0.04)	(0.92)	1.74
From continuing operation					
– Basic (Hong Kong cents)		(0.24)	(0.04)	(0.92)	1.60
– Diluted (Hong Kong cents)		(0.24)	(0.04)	(0.92)	1.60

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2017

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) Profit for the period	(2,415)	194	(10,111)	22,487
Other comprehensive income (loss) for the period				
<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	10,468	(3,246)	26,823	(20,163)
Total other comprehensive income (loss) for the period, net of tax	10,468	(3,246)	26,823	(16,509)
Total comprehensive income (loss) for the period	8,053	(3,052)	16,712	5,978
Attributable to:				
Owners of the Company	7,034	(3,680)	14,069	4,314
Non-controlling interests	1,019	628	2,643	1,664
	8,053	(3,052)	16,712	5,978

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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	Convertible bonds reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 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) Profit for the period	–	–	–	–	–	–	–	(11,928)	(11,928)	1,817	(10,111)
Other comprehensive income											
<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
Total other comprehensive income for the period	–	–	–	–	25,997	–	–	–	25,997	826	26,823
Total comprehensive income (loss) for the period	–	–	–	–	25,997	–	–	(11,928)	14,069	2,643	16,712
Transactions with owners											
Conversion of convertible bonds (Note (i))	1,200	73,111	–	–	–	(40,784)	–	–	33,527	–	33,527
Total transactions with owners	1,200	73,111	–	–	–	(40,784)	–	–	33,527	–	33,527
At 30 September 2017 (Unaudited)	13,012	616,828	131,109	120,794	(61,643)	713,306	16,784	(1,536,217)	13,973	17,822	31,795

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 nine months ended 30 September 2016

	Reserves									Equity attributable to owners of the Company	Non-controlling interests	Total
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	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
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	-	-	-	-	-	-	-	-	20,423	20,423	2,064	22,487
Other comprehensive income (loss)												
Item that will be reclassified to profit or loss												
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	-	-	-	-	(19,763)	-	-	-	-	(19,763)	(400)	(20,163)
Total other comprehensive loss for the period	-	-	-	-	(16,109)	-	-	-	-	(16,109)	(400)	(16,509)
Total comprehensive (loss) income for the period	-	-	-	-	(16,109)	-	-	-	20,423	4,314	1,664	5,978
Transactions with owners												
Issue of new shares upon fulfillment of guaranteed profit (Note (i))	265	9,279	-	-	-	-	(9,544)	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,778)	(1,778)
Total transactions with owners	265	9,279	-	-	-	-	(9,544)	-	-	-	(1,778)	(1,778)
At 30 September 2016 (Unaudited)	11,812	543,717	131,109	120,794	(56,946)	754,090	-	13,936	(1,246,612)	271,900	15,221	287,121

Note:

- (i) The final settlement value of the 2015 Contingent Shares (as defined in the Annual Report) 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

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 on 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 third quarterly financial statements of the Group for the three and nine months ended 30 September 2017 (the “**Third 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 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.

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

2.1 *Basis of Preparation (Continued)*

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 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 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 2016 (the “**Annual Report**”).

2.2 *Principal Accounting Policies*

The Third Quarterly Financial Statements have been prepared on the historical cost 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 Third 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 Third 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 30 September 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 nine months ended 30 September 2017 and 30 September 2016.

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Continuing operation				
Revenue:				
Interest income from loans to customers	18,299	21,860	50,881	67,003
Financial consultancy income	523	3,069	2,365	29,007
Interest expenses on funds for loans to customers (Note 5)	-	(182)	(75)	(641)
Short-term financing services income, net	18,822	24,747	53,171	95,369
Other income, and other gains and losses, net				
Foreign exchange gain (loss), net	126	(21)	440	(179)
Bank interest income	160	287	613	679
Waive of interest expenses on promissory notes	-	-	-	1,600
Loss on disposal of property, plant and equipment	(3)	-	(15)	(4)
Sundry income	897	2,232	3,060	3,941
	1,180	2,498	4,098	6,037

5. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operation				
Effective interest expenses on:				
– Convertible bonds	10,823	10,632	31,527	31,014
– Promissory notes	437	434	1,305	1,326
Interest expenses on funds for loans to customers	–	182	75	641
	11,260	11,248	32,907	32,981
Less: Interest expenses included in revenue (Note 4)	–	(182)	(75)	(641)
	11,260	11,066	32,832	32,340

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		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operation				
Depreciation of property, plant and equipment	220	285	730	870
Discontinued operation				
Depreciation of property, plant and equipment	–	–	–	123
Amortisation of intangible assets	–	–	–	370

7. INCOME TAX EXPENSE

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Continuing operation				
Current tax				
Hong Kong				
Under-provision in respect of prior periods	-	2	-	2
PRC				
Current tax charge for the period	2,452	5,121	7,061	14,191
(Over) under-provision in respect of prior periods	(1)	(1)	(77)	171
Deferred tax (credit) expense	(44)	307	(379)	409
Income tax expense for continuing operation	2,407	5,429	6,605	14,773
Discontinued operation				
Current tax				
PRC				
Deferred tax credit	-	-	-	(6)
Income tax credit for discontinued operation	-	-	-	(6)
Total income tax expense for continuing and discontinued operations	2,407	5,429	6,605	14,767

7. INCOME TAX EXPENSE *(Continued)*

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

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.

9. DISCONTINUED OPERATION *(Continued)*
Development and Sales of Software Operation (Continued)

The results of the discontinued operation have been presented separately in the condensed consolidated income statement.

	Note	Nine months ended 30 September 2016 (Unaudited) HK\$'000
Revenue		4,730
Cost of sales		(1,384)
Gross profit		3,346
Other gains and losses, net		403
Administrative and other expenses		(4,134)
Operating loss		(385)
Gain on disposal of subsidiaries	12	2,033
Profit before income tax		1,648
Income tax credit	7	6
Profit for the period		1,654

9. DISCONTINUED OPERATION (Continued)

Development and Sales of Software Operation (Continued)

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

	Three months ended 30 September 2016 (Unaudited) HK\$'000	Nine months ended 30 September 2016 (Unaudited) HK\$'000
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Earnings per share from discontinued operation
attributable to owners of the Company:

Basic (Hong Kong cents)	–	0.14
Diluted (Hong Kong cents)	–	0.14

The basic and diluted earnings per share from 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.

10. (LOSS) EARNINGS PER SHARE (Continued)

For the three and nine months ended 30 September 2017 and three and nine months ended 30 September 2016, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic (loss) earnings per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted (loss) earnings per share. Therefore, the basic and diluted (loss) earnings per share for the three and nine months ended 30 September 2017 and three and nine months ended 30 September 2016 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 30 September					
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000

Loss

Loss attributable to the owners of the Company, used
in basic loss per share calculation

(3,107) (497) - - (3,107) (497)

Adjustment of loss attributable to the owners of the
Company:

Interest saving of the convertible bonds

-* -* - - -* -*

Loss attributable to the owners of the Company, used
in the diluted loss per share calculation

(3,107) (497) - - (3,107) (497)

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

10. (LOSS) EARNINGS PER SHARE (Continued)

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

	Continuing operation		Discontinued operation		Total	
	Three months ended 30 September					
	2017 (Unaudited) '000	2016 (Unaudited) '000	2017 (Unaudited) '000	2016 (Unaudited) '000	2017 (Unaudited) '000	2016 (Unaudited) '000
Share						
Weighted average number of ordinary shares for basic loss per share calculation	1,301,118	1,181,118	-	-	1,301,118	1,181,118
Effect of dilutive potential ordinary shares:						
Conversion of convertible bonds	-*	-*	-	-	-*	-*
Weighted average number of ordinary shares for diluted loss per share calculation	1,301,118	1,181,118	-	-	1,301,118	1,181,118

	Continuing operation		Discontinued operation		Total	
	Nine months ended 30 September					
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(Loss) Profit						
(Loss) Profit attributable to the owners of the Company, used in basic (loss) earnings per share calculation	(11,928)	18,769	-	1,654	(11,928)	20,423
Adjustment of (loss) profit attributable to the owners of the Company:						
Interest saving of the convertible bonds	-*	-*	-	-	-*	-*
(Loss) Profit attributable to the owners of the Company, used in the diluted (loss) earnings per share calculation	(11,928)	18,769	-	1,654	(11,928)	20,423

(Loss) Profit

(Loss) Profit attributable to the owners of the

Company, used in basic (loss) earnings per share calculation

(11,928) 18,769 - 1,654 (11,928) 20,423

Adjustment of (loss) profit attributable to the owners of the Company:

Interest saving of the convertible bonds

-* -* - - -* -*

(Loss) Profit attributable to the owners of the

Company, used in the diluted (loss) earnings per share calculation

(11,928) 18,769 - 1,654 (11,928) 20,423

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

10. (LOSS) EARNINGS PER SHARE (Continued)

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

	Continuing operation		Discontinued operation		Total	
	Nine months ended 30 September					
	2017 (Unaudited) '000	2016 (Unaudited) '000	2017 (Unaudited) '000	2016 (Unaudited) '000	2017 (Unaudited) '000	2016 (Unaudited) '000
Share						
Weighted average number of ordinary shares for basic (loss) earnings per share calculation	1,297,602	1,173,861	-	1,173,861	1,297,602	1,173,861
Effect of dilutive potential ordinary shares:						
Conversion of convertible bonds	-*	-*	-	-*	-*	-*
Weighted average number of ordinary shares for diluted (loss) earnings per share calculation	1,297,602	1,173,861	-	1,173,861	1,297,602	1,173,861

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

11. CONTINGENT CONSIDERATION

In relation to the disposal of Auto-serve Group (Note 12), 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.

During the period from 1 January 2016 to 30 September 2016, the fair value gain on contingent consideration – consideration shares of approximately HK\$1,141,000 was attributed to the fair value measurement of contingent consideration – 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. DISPOSALS 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)
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
Total cash consideration received	26,208

	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	(3,958)
	20,992

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 financial period from 1 January 2016 to 30 September 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\$”) 53,171,000 (2016: approximately HK\$95,369,000) from continuing operation, representing a decrease of approximately HK\$42,198,000 as compared with the corresponding period last year. The decrease was mainly attributable to the significant decrease in financial consultancy income and moderate decrease in interest income from loans to customers during the Period due to the unfavorable market environment and the slowdown in economic growth and financial activities in Mainland China..

The administrative and other expenses for the Period from continuing operation has decreased by approximately HK\$9,560,000 to approximately HK\$26,429,000 (2016: approximately HK\$35,989,000).

The loss attributable to the owners of the Company for the Period was approximately HK\$11,928,000 (2016: profit of approximately HK\$20,423,000) was mainly attributable to 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\$53,171,000 (2016: approximately HK\$95,369,000). The operating results of the short-term financing services recorded a profit before income tax of approximately HK\$36,057,000 (2016: approximately HK\$75,681,000). 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 nine months ended 30 September 2017, the Group did not process any 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\$46,948,000) 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**”). As at 28 June 2017, RMB20,000,000 (equivalent to approximately HK\$23,474,000) was drawn by the Borrower and the total outstanding amount was repaid by the Borrower before 30 September 2017. As at 30 September 2017, no further advance was 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 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 remains 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 other 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.

* English name is for identification purpose only.

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 2017, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or 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 Directors/ Chief Executives	Capacity	Number of ordinary Shares held	Approximate percentage of shareholding in the Company (Note 2)
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Ms. Li Wei (Note 1)	Beneficial owner	1,932,000	0.14
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Notes:

- Ms. Li Wei was an executive Director and chief operating officer. She had resigned from the same with effect from 1 October 2017.
- The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 September 2017 (i.e. 1,301,118,056).

Save for those disclosed above, as at 30 September 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 the Company and the Stock Exchange pursuant to the Model Code.

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 2017, 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:

- 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.
- 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.
- The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 September 2017 (i.e. 1,301,118,056 Shares).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, the Directors are not aware of any person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above) who, as at 30 September 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.

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 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) 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, 10 November 2017

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