

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

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

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

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*This 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 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 herein or this report 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 2018 (the “**Period**”) together with the comparative unaudited figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2018

	Note	Three months ended	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	4	18,528	16,201
Other income, and other gains and losses, net	4	681	1,643
Administrative and other expenses		(7,790)	(9,874)
Provision for impairment loss on loans to customers		(166)	(420)
Finance costs	5	(11,490)	(10,667)
Loss before income tax	6	(237)	(3,117)
Income tax expense	7	(3,378)	(1,897)
Loss for the period		(3,615)	(5,014)
Attributable to:			
Owners of the Company		(4,359)	(5,714)
Non-controlling interests		744	700
		(3,615)	(5,014)
Loss per share attributable to owners of the Company	9	(0.34)	(0.44)
Basic and diluted (Hong Kong cents)			

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	Three months ended	
	31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(3,615)	(5,014)
Other comprehensive income for the period, net of tax:		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	23,838	5,057
Other comprehensive income for the period, net of tax	23,838	5,057
Total comprehensive income for the period	20,223	43
Attributable to:		
Owners of the Company	18,808	(809)
Non-controlling interests	1,415	852
	20,223	43

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Reserves								Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve (debit) HK\$'000	Convertible bonds reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000			
As at 1 January 2018 (Audited)	13,012	616,828	131,109	120,794	(48,927)	713,306	21,042	(1,543,282)	23,882	16,225	40,107
Loss for the period	—	—	—	—	—	—	—	(4,359)	(4,359)	744	(3,615)
Other comprehensive income											
Item that will be reclassified to profit or loss											
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	23,167	—	—	—	23,167	671	23,838
Total other comprehensive income for the period	—	—	—	—	23,167	—	—	—	23,167	671	23,838
Total comprehensive income for the period	—	—	—	—	23,167	—	—	(4,359)	18,808	1,415	20,223
As at 31 March 2018 (Unaudited)	13,012	616,828	131,109	120,794	(25,760)	713,306	21,042	(1,547,641)	42,690	17,640	60,330

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

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)
Other comprehensive income											
Item that will be reclassified to profit or loss											
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	4,905	—	—	—	4,905	152	5,057
Total other comprehensive income for the period	—	—	—	—	4,905	—	—	—	4,905	152	5,057
Total comprehensive income for the period	—	—	—	—	4,905	—	—	(5,714)	(809)	852	43
Transactions with owners											
Conversion of convertible bonds (Note (i))	1,200	73,111	—	—	—	(40,784)	—	—	33,527	—	33,527
As at 31 March 2017 (Unaudited)	13,012	616,828	131,109	120,794	(82,735)	713,306	16,784	(1,530,003)	(905)	16,031	15,126

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

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 provision of short-term financing services in the People’s Republic of China (the “**PRC**”) and Hong Kong (“**Short-term Financing Services**”).

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The Group’s unaudited condensed consolidated financial statements for the three months ended 31 March 2018 (the “**First 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 GEM of the Exchange (the “**GEM Listing Rules**”).

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2017, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKAS**”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 *Principal accounting policies*

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

The preparation of First Quarterly Financial Statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The Group has adopted HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” in the First 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 First Quarterly Financial Statements.

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

2.4 HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting.

(a) Classification and measurement

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 investments in equity instruments currently classified as available-for-sale financial assets felt within the classification as at fair value through profit or loss. Fair value is measured at the reclassification date. Any difference between previous amortised cost and fair value on reclassification is recognised in 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 losses 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 losses.

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.

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

2.4 HKFRS 9 Financial Instruments *(Continued)*

(b) Impairment *(Continued)*

- 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.

Other than the changes mentioned above, the adoption of HKFRS 9 has no significant impact on the Group’s First Quarterly Financial Statements.

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 three months ended 31 March 2018 and 31 March 2017.

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

	Note	Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue:			
Interest income from loans to customers		18,162	15,690
Financial consultancy income		366	562
Interest expense on funds for loans to customers	5	—	(51)
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Short-term financing services income, net		18,528	16,201
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Other income, and other gains and losses, net			
Foreign exchange gain, net		374	85
Bank interest income		280	187
Loss on disposal of property, plant and equipment		(1)	(2)
Sundry income		28	1,373
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		681	1,643
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5. FINANCE COSTS

	Note	Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Effective interest expenses on:			
– Convertible bonds		11,043	10,223
– Promissory notes		447	444
Interest expense on funds for loans to customers		—	51
		11,490	10,718
Less: Interest expense included in revenue	4	—	(51)
		11,490	10,667

6. LOSS BEFORE INCOME TAX

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

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Staff Costs (excluding directors' emoluments)		
Salaries, allowance and other benefits	2,638	3,066
Pension scheme contributions	427	493
Depreciation of property, plant and equipment	188	283
Minimum lease payments under operating leases for land and buildings	1,050	2,063

7. INCOME TAX EXPENSE

- (a) The amount of income tax expense in the condensed consolidated statements of profit or loss represents:

	Three months ended 31 March	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax		
PRC		
Current tax charge for the period	3,419	2,116
Over-provision in respect of prior periods	—	(114)
Deferred tax credit	(41)	(105)
	<hr/>	<hr/>
Income tax expense	3,378	1,897

- (a) The Company is exempted from payment of the Bermuda income tax.
- (b) The subsidiaries of the Group established in the PRC save for below 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 three months ended 31 March 2018.

- (c) For three months ended 31 March 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. LOSS PER SHARE

The calculations of basic loss per share for the current period and prior period are based on the loss for the periods attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the current period and prior period are set forth below.

The calculations of diluted loss per share for the current period and prior period are based on the 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 period and prior period 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 2018 and 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 2018 and three months ended 31 March 2017 are equal.

9. LOSS PER SHARE (Continued)

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

	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss		
Loss attributable to the owners of the Company, used in basic loss per share calculation	4,359	5,714
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	4,359	5,714

	2018 (Unaudited) '000	2017 (Unaudited) '000
Share		
Weighted average number of ordinary shares for basic loss per share calculation	1,301,118	1,290,451
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	1,290,451

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

10. EVENT AFTER THE REPORTING PERIOD

On 12 April 2018, 拉薩嘉德財務顧問有限公司 (Lhasa Jiade Financial Consultant Company Limited*), an indirect wholly-owned subsidiary of the Company, subscribed for the investment product issued by 北京首御投資有限公司 (Beijing Shouyu Investment Limited Company*) and registered with 銀川產權交易中心(有限公司) (Yinchuan Property Rights Trading Center*) in the aggregate amount of RMB20,000,000 (equivalent to approximately HK\$25,000,000).

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

* For identification purposes only

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\$**”) 18,528,000 (2017: approximately HK\$16,201,000), representing an increase of approximately HK\$2,327,000 as compared with last period. The increase was mainly attributable to the increase in interest income from loan to customers during the Period.

The administrative and other expenses for the Period has decreased by approximately HK\$2,084,000 to approximately HK\$7,790,000 (2017: approximately HK\$9,874,000).

The loss attributable to the owners of the Company for the Period was approximately HK\$4,359,000 (2017: loss of approximately HK\$5,714,000). The decrease was mainly attributable to the effect of increase in revenue discussed above.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Period, 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\$49,980,000) for the purpose of lending the same to the Borrower for a period of 12 months at an interest rate of 17.4% per annum with interest payable on a monthly basis and the principal amount at the end of the loan period (the “**Transaction**”). A corporate guarantee is provided by Guarantor A and a personal guarantee is provided by Guarantor B, each of which is in favour of Lhasa Jiade Financial Consultant Company Limited, a subsidiary of the Group, to secure the obligations of the Borrower under the entrusted loan agreement. As at 28 June 2017, RMB20,000,000 (equivalent to approximately HK\$24,990,000) was drawn by the Borrower and the total outstanding amount was repaid by the Borrower on 18 July 2017 and 1 August 2017 with RMB10,000,000 each (equivalent to approximately HK\$12,495,000 each). A further advance was granted to the Borrower under the entrusted loan agreement on 8 November 2017 with RMB20,000,000 (equivalent to approximately HK\$24,990,000), which was fully repaid by the Borrower on 30 January 2018 and 31 January 2018 with RMB15,000,000 (equivalent to approximately HK\$18,742,500) and RMB5,000,000 (equivalent to approximately HK\$6,247,500) respectively. Up to the date of this report, no further advance was granted to the Borrower under the entrusted loan agreement.

* English name for identification purpose only.

ADVANCE TO AN ENTITY *(Continued)*

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

PROSPECTS

Looking to the future, although facing with a complicated business environment, and fierce industry competition, the Group is still optimistic about its business aspect. Compared with other financial institutions in the PRC, our short-term financing services business which including provision of pawn loans, micro-financing, entrusted loans and financial consultancy services provides a faster and more flexible service to the small medium enterprises (“SMEs”) and individual borrowers in the PRC. Going forward, the PRC government is encouraging the development of SMEs, which often have difficulty in obtaining bank loans. Our short-term financing services can cater the needs of these SMEs and the individual borrowers, thereby taking the Group to the next stage. 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 31 March 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 three months ended 31 March 2018.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 31 March 2018, the following companies and persons had interests in more than 5% of the Company's issued shares:

Long Position in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company (Note 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	1,384,571,429	-	1,384,571,429	106.41
Mr. Dai Di (Note 1)	-	1,384,571,429	1,384,571,429	106.41
Time Prestige Holdings Limited (Note 2)	161,142,857	-	161,142,857	12.38
Mr. Dai Hao (Notes 2 and 3)	-	563,999,999	563,999,999	43.34
Bustling Capital Limited (Note 3)	402,857,142	-	402,857,142	30.96
Ms. Jin Yu (Notes 2 and 3)	-	563,999,999	563,999,999	43.34
Silver Palm Limited (Note 4)	71,428,571	-	71,428,571	5.49
Mr. Wang Jia Sheng (Note 4)	-	71,428,571	71,428,571	5.49

Notes:

- The 1,384,571,429 Shares held by Exuberant Global Limited ("**Exuberant Global**") represent (i) 294,200,000 Shares; and (ii) 1,090,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,384,571,429 Shares held by Exuberant Global.
- The 161,142,857 Shares held by Time Prestige Holdings Limited ("**Time Prestige**") represent (i) 26,800,000 Shares; and (ii) 134,342,857 Shares to be issued upon full conversion of the convertible bonds. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital Limited ("**Bustling Capital**").
- The 402,857,142 Shares held by Bustling Capital represent (i) 67,000,000 Shares; and (ii) 335,857,142 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 402,857,142 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 161,142,857 Shares held by Time Prestige.
- 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 31 March 2018 (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 who, as at 31 March 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.

INTERESTS IN A COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

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.

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, 11 May 2018

As at the date of this report, 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 report 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>.