

The logo for Capital Finance Holdings Limited, consisting of the letters 'CFHL' in a bold, sans-serif font. The background of the entire page is a complex, abstract geometric pattern of overlapping triangles in various shades of green and blue, creating a modern, crystalline effect.

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

2016

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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 2016 together with the comparative figures in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2016

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation					
Revenue	4	24,747	38,043	95,369	107,537
Other income, and other gains and losses, net	4	2,498	1,098	6,037	2,575
Administrative and other expenses		(11,783)	(14,030)	(35,989)	(48,314)
Loss on early redemption of promissory notes		–	(273)	(249)	(654)
Fair value gain on contingent consideration – consideration shares	12	–	–	1,141	22,500
Impairment loss on goodwill	11	–	–	–	(275,934)
Reversal of (Provision for) impairment on loans to customers		1,227	231	1,637	(616)
Finance costs	5	(11,066)	(10,876)	(32,340)	(32,847)
Profit (Loss) before income tax from continuing operation		5,623	14,193	35,606	(225,753)
Income tax expense	7	(5,429)	(4,597)	(14,773)	(16,788)
Profit (Loss) for the period from continuing operation		194	9,596	20,833	(242,541)
Discontinued operations					
Profit (Loss) for the period from discontinued operations	9	–	5,118	1,654	(20,577)

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)
For the nine months ended 30 September 2016

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Profit (Loss) for the period		194	14,714	22,487	(263,118)
Attributable to:					
Owners of the Company		(497)	14,127	20,423	(264,177)
Non-controlling interests		691	587	2,064	1,059
		194	14,714	22,487	(263,118)
(Loss) Earnings per share attributable to owners of the Company	10				
From continuing and discontinued operations					
– Basic (Hong Kong cents)		(0.04)	1.22	1.74	(24.41)
– Diluted (Hong Kong cents)		(0.04)	0.82	1.74	(24.41)
From continuing operation					
– Basic (Hong Kong cents)		(0.04)	0.77	1.60	(22.60)
– Diluted (Hong Kong cents)		(0.04)	0.64	1.60	(22.60)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2016

	Three months ended 30 September		Nine months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Profit (Loss) for the period	194	14,714	22,487	(263,118)
Other comprehensive income (loss) for the period				
<i>Item that has been reclassified to profit or loss:</i>				
– Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	–	–	3,654	–
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translation of financial statements of overseas subsidiaries	(3,246)	(32,348)	(20,163)	(29,501)
Total other comprehensive loss for the period, net of tax	(3,246)	(32,348)	(16,509)	(29,501)
Total comprehensive (loss) income for the period	(3,052)	(17,634)	5,978	(292,619)
Attributable to:				
Owners of the Company	(3,680)	(17,616)	4,314	(292,888)
Non-controlling interests	628	(18)	1,664	269
	(3,052)	(17,634)	5,978	(292,619)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	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 HK\$'000	Convertible bonds reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000				Accumulated losses 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 has been reclassified to profit or loss												
Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	-	-	-	-	3,654	-	-	-	-	3,654	-	3,654
Item that may be reclassified subsequently to profit or loss												
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(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												
Contributions and distributions												
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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the nine months ended 30 September 2015

	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 HK\$'000	Convertible bonds reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000				Accumulated losses HK\$'000
At 1 January 2015 (unaudited)	9,684	419,807	131,109	120,794	2,714	569,660	229,168	9,012	(96,200)	505,748	20,597	526,345
Loss for the period	-	-	-	-	-	-	-	-	(264,177)	(264,177)	1,059	(263,118)
Other comprehensive loss												
Item that may be reclassified subsequently to profit or loss												
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	(28,711)	-	-	-	-	(28,711)	(790)	(29,501)
Total other comprehensive loss for the period	-	-	-	-	(28,711)	-	-	-	-	(28,711)	(790)	(29,501)
Total comprehensive (loss) income for the period	-	-	-	-	(28,711)	-	-	-	(264,177)	(292,888)	269	(292,619)
Transfer to statutory reserve	-	-	-	-	-	-	-	(18)	18	-	-	-
Transactions with owners												
Contributions and distributions												
Issue of new shares on acquisition of subsidiaries – Auto-serve Group (Note (i))	109	6,304	-	-	-	-	-	-	-	6,413	-	6,413
Issue of new shares on the March 2015 Placement (Note (ii))	518	28,570	-	-	-	-	-	-	-	29,088	-	29,088
Conversion of convertible bonds (Note (iii))	943	68,180	-	-	-	(44,738)	-	-	-	24,385	-	24,385
Subscription of new shares (Note (iv))	293	11,577	-	-	-	-	-	-	-	11,870	-	11,870
Issue of convertible bonds on acquisition of subsidiaries – equity component	-	-	-	-	-	229,168	(229,168)	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,115)	(2,115)
Total transactions with owners	1,863	114,631	-	-	-	184,430	(229,168)	-	-	71,756	(2,115)	69,641
At 30 September 2015 (Unaudited)	11,547	534,438	131,109	120,794	(25,997)	754,090	-	8,994	(1,250,359)	284,616	18,751	303,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the nine months ended 30 September 2015

Notes:

- (i) In March 2015, approximately 10,870,000 new ordinary shares of par value of HK\$0.01 each of the Company were issued as part of the consideration in acquiring the 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**"). The fair value of the shares issued at the date of completion of acquisition was approximately HK\$6,413,000 of which approximately HK\$109,000 was credited to the share capital and the remaining balance of approximately HK\$6,304,000 was credited to the share premium account.
- (ii) In March 2015, 51,800,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under placements (the "**March 2015 Placement**") at a placing price of HK\$0.58 each at an aggregate consideration of approximately HK\$29,088,000 (net of issuing expenses of approximately HK\$956,000), of which approximately HK\$518,000 was credited to share capital and the remaining balance of approximately HK\$28,570,000 was credited to the share premium account.
- (iii) In April 2015, the convertible bonds with aggregate value of HK\$33,000,000 were converted into ordinary shares of par value HK\$0.01 each of the Company at conversion price of HK\$0.35 per share.
- (iv) In June 2015, 29,270,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under subscription at a subscription price of HK\$0.41 each at consideration of approximately HK\$12,001,000 net of issuing expenses of approximately HK\$131,000 of which approximately HK\$293,000 was credit to share capital and the remaining balance of approximately HK\$11,577,000 was credit to the 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 and its principal place of business is at Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.

During the Period, the Company is principally engaged in investment holding and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in short-term financing services in the People's Republic of China (the "**PRC**") and Hong Kong, further details of which are set out in Note 3. The Group was also engaged in (i) 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 during the Period; (ii) property investments in Hong Kong; and (iii) business of coal trading between the PRC and Indonesia which were discontinued in the last financial period from 1 April 2015 to 31 December 2015, 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 2016 (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.

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 2015, 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. They shall be read in conjunction with the Group's audited financial statements for the nine months ended 31 December 2015 (the "**Annual Report**").

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

2.2 Principal Accounting Policies

The Third Quarterly Financial Statements have been prepared on the historical cost basis, except for contingent consideration which have 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.

Change of financial year end date

The Company changed its financial year end date from 31 March to 31 December in the last financial period in order to align with the financial year end date of the operating subsidiaries established in the PRC.

To enhance comparability, the comparative figures in these unaudited condensed consolidated income statement and condensed consolidated statement of comprehensive income covered a nine-month period from 1 January 2015 to 30 September 2015.

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 comprised pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in the PRC and Hong Kong;
- (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(c);
- (c) The coal trading segment comprised the business of coal trading between the PRC and Indonesia. The Group completed the disposal of coal trading business on 31 December 2015. Accordingly, the coal trading segment was classified as a discontinued operation, details of which are set out in Note 9(b); and
- (d) The property investments segment comprised investment in various properties for rental income purposes. The Group completed the disposal of property investments business on 10 July 2015. Accordingly, the property investments segment was classified as a discontinued operation, details of which are set out in Note 9(a).

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

3. SEGMENT INFORMATION (Continued)

Reportable Segments

The following tables present revenue, expenditure and results information for the Group's reportable segments for the nine months ended 30 September 2016 and 2015.

(i) Business Segments

	Nine months ended 30 September 2016		
	Continuing operation	Discontinued operation	
	Short-term financing services (Unaudited) HK\$'000	Development and sales of software (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue			
External sales and services and reportable segment revenue	95,369	4,730	100,099
Reportable segment results	75,681	1,648	77,329
Reversal of impairment loss on loans to customers	1,637	-	1,637

	Nine months ended 30 September 2015 (Restated)					
	Continuing operation	Discontinued operations				
	Short-term financing services (Unaudited) HK\$'000	Coal trading (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Development and sales of software (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue						
External sales and services and reportable segment revenue	107,537	46,680	-	12,017	58,697	166,234
Reportable segment results	(194,163)	(10,135)	(9,075)	(2,247)	(21,457)	(215,620)
Impairment loss on goodwill	(275,934)	-	-	(7,605)	(7,605)	(283,539)
Impairment loss on trade receivables	-	(12,116)	-	-	(12,116)	(12,116)
Fair value loss on an investment property	-	-	(10,000)	-	(10,000)	(10,000)
Provision for impairment loss on loans to customers	(616)	-	-	-	-	(616)

3. SEGMENT INFORMATION (Continued)

Reportable Segments (Continued)

(i) Business Segments (Continued)

Reconciliation of reportable segment results:

	Nine months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation		
Profit (Loss) before income tax		
Reportable segment profit (loss)	75,681	(194,163)
Loss on early redemption of promissory notes	(249)	(654)
Fair value gain on contingent consideration – consideration shares	1,141	22,500
Unallocated corporate income and expenses, net	(40,967)	(53,436)
	35,606	(225,753)
Discontinued operations		
Profit (Loss) before income tax		
Operating loss for the reportable segments	(385)	(23,102)
Gain on disposal of subsidiaries	2,033	1,645
	1,648	(21,457)
Continuing and discontinued operations		
Profit (Loss) before income tax	37,254	(247,210)

(ii) Geographical Segments

The following table provides an analysis of the Group's revenue from external customers:

	Nine months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation		
Hong Kong	–	4,200
PRC	95,369	103,337
	95,369	107,537
Discontinued operations		
PRC	4,730	58,697
	100,099	166,234

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

	Three months ended 30 September 2016		Nine months ended 30 September 2016	
	(Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	(Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation				
Revenue:				
Interest income from loans to customers	21,860	18,024	67,003	62,635
Financial consultancy income	3,069	20,539	29,007	46,459
Short-term financing services related expenses (Note 5)	(182)	(520)	(641)	(1,557)
	24,747	38,043	95,369	107,537
Other income, and other gains and losses, net				
Foreign exchange (loss) gain, net	(21)	44	(179)	205
Gain on dissolution of subsidiaries	–	–	–	654
Bank interest income	287	224	679	350
Waive of interest expenses on promissory notes	–	–	1,600	–
Loss on disposal of property, plant and equipment	–	–	(4)	(15)
Sundry income	2,232	830	3,941	1,381
	2,498	1,098	6,037	2,575

5. FINANCE COSTS

	Three months ended 30 September 2016		Nine months ended 30 September 2016	
	(Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	(Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation				
Effective interest expenses on:				
– Convertible bonds	10,632	9,785	31,014	29,007
– Promissory notes	434	1,091	1,326	3,840
Interest expenses on funds for loans to customers	182	520	641	1,557
	11,248	11,396	32,981	34,404
Less: Interest expenses included in revenue (Note 4)	(182)	(520)	(641)	(1,557)
	11,066	10,876	32,340	32,847
Discontinued operations				
Interest on bank borrowings wholly repayable within five years (Note 9(b))	–	58	–	378
	11,066	10,934	32,340	33,225

6. PROFIT (LOSS) BEFORE INCOME TAX

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

	Three months ended 30 September 2016		Nine months ended 30 September 2016	
	(Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	(Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation				
Depreciation of property, plant and equipment	285	289	870	848
Discontinued operations				
Depreciation of property, plant and equipment	–	110	123	182
Amortisation of intangible assets	–	293	370	656
Cost of inventories sold	–	10,883	–	44,168

7. INCOME TAX EXPENSE

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

	Three months ended 30 September 2016		Nine months ended 30 September 2016	
	(Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	(Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Continuing operation				
Current tax				
Hong Kong				
Under-provision in respect of prior periods	2	–	2	–
PRC				
Current tax charge for the period	5,121	4,441	14,191	16,250
(Over) under-provision in respect of prior periods	(1)	156	171	218
Deferred tax expense	307	–	409	320
Income tax expense for continuing operation	5,429	4,597	14,773	16,788
Discontinued operations				
Current tax				
Hong Kong				
Current tax charge for the period	–	1,041	–	1,394
Over-provision in respect of prior periods	–	–	–	(251)
PRC				
Current tax charge for the period	–	–	–	139
Deferred tax credit	–	(73)	(6)	(2,162)
Income tax expense (credit) for discontinued operations	–	968	(6)	(880)
Total income tax expense for continuing and discontinued operations	5,429	5,565	14,767	15,908

7. INCOME TAX EXPENSE (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% (2015: 25%), except for Beijing Auto 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 implementation rules announced by the People's Government of the Tibet Autonomous Region, a subsidiary of the Group established in Tibet of the PRC is subject to the EIT of the PRC at 9% up to 2017.

8. DIVIDEND

The Directors do not recommend for payment of a dividend for the Period (2015: Nil).

9. DISCONTINUED OPERATIONS

(a) Property Investments Operation

On 9 June 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Foremost Star Investments Limited ("**Foremost Star**", together with its subsidiary are referred to as the "**Foremost Star Group**") to an independent third party at a consideration of HK\$2,000,000. The Foremost Star Group carried out all of the Group's property investments operation. Accordingly, the Group's property investments operation was classified as a discontinued operation. The disposal was completed on 10 July 2015.

(b) Coal Trading Operation

On 14 July 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Star Coal International Investment Company Limited ("**Star Coal**", together with its subsidiaries are referred to as the "**Star Coal Group**") to an independent third party at a consideration of HK\$4,000,000. The Star Coal Group carried out all of the Group's coal trading operation. Accordingly, the Group's coal trading operation was classified as a discontinued operation. The disposal was completed on 31 December 2015.

The assets and liabilities attributable to the Star Coal Group which were expected to be sold within the next twelve months were classified as a disposal group held for sale as at 30 September 2015.

(c) 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 and entire issued share capital of Vibrant Youth at a 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. 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 operations have been presented separately in the condensed consolidated income statement. Comparative figures have been restated to reflect the discontinued operations in the condensed consolidated income statement.

9. DISCONTINUED OPERATIONS (Continued)

	2016	Three months ended 30 September 2015 (Restated)				Total (Unaudited) HK\$'000
		Development and sales of Software (Unaudited) HK\$'000	Coal trading (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Development and sales of Software (Unaudited) HK\$'000	
Note						
Revenue		-	11,511	-	7,420	18,931
Cost of sales		-	(10,883)	-	(1,005)	(11,888)
Gross profit		-	628	-	6,415	7,043
Other gains and losses, net		-	(52)	-	824	772
Selling and distribution expenses		-	(114)	-	-	(114)
Administrative and other expenses		-	12	246	(3,460)	(3,202)
Finance costs	5	-	(58)	-	-	(58)
Operating profit		-	416	246	3,779	4,441
Gain on disposal of subsidiaries	13	-	-	1,645	-	1,645
Profit before income tax		-	416	1,891	3,779	6,086
Income tax expense	7	-	(98)	-	(870)	(968)
Profit for the period		-	318	1,891	2,909	5,118

	2016	Nine months ended 30 September 2015 (Restated)				Total (Unaudited) HK\$'000
		Development and sales of Software (Unaudited) HK\$'000	Coal trading (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Development and sales of Software (Unaudited) HK\$'000	
Note						
Revenue		4,730	46,680	-	12,017	58,697
Cost of sales		(1,384)	(44,168)	-	(1,525)	(45,693)
Gross profit		3,346	2,512	-	10,492	13,004
Other gains and losses, net		403	493	8	2,029	2,530
Selling and distribution expenses		-	(456)	-	-	(456)
Administrative and other expenses		(4,134)	(190)	(728)	(7,163)	(8,081)
Fair value loss on an investment property		-	-	(10,000)	-	(10,000)
Impairment loss on goodwill		-	-	-	(7,605)	(7,605)
Impairment loss on trade receivables		-	(12,116)	-	-	(12,116)
Finance costs	5	-	(378)	-	-	(378)
Operating loss		(385)	(10,135)	(10,720)	(2,247)	(23,102)
Gain on disposal of subsidiaries	13	2,033	-	1,645	-	1,645
Profit (Loss) before income tax		1,648	(10,135)	(9,075)	(2,247)	(21,457)
Income tax credit (expense)	7	6	1,676	123	(919)	880
Profit (Loss) for the period		1,654	(8,459)	(8,952)	(3,166)	(20,577)

9. DISCONTINUED OPERATIONS (Continued)

The earnings (loss) per share information of the discontinued operations was as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited) (Restated)	2016 (Unaudited)	2015 (Unaudited) (Restated)
Earnings (Loss) per share from discontinued operations attributable to owners of the Company:				
Basic (Hong Kong cents)	–	0.45	0.14	(1.81)
Diluted (Hong Kong cents)	–	0.18	0.14	(1.81)

The basic and diluted earnings (loss) per share from discontinued operations are calculated by dividing the earnings (loss) from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings (loss) per share computation and weighted average number of ordinary shares for diluted earnings (loss) 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 profit (loss) for the periods attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the current and prior periods.

The calculations of diluted (loss) earnings per share for the current and prior periods are based on the profit (loss) for the periods attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the current and prior periods and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for the three and nine months ended 30 September 2016 and nine months ended 30 September 2015, 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 2016 and nine months ended 30 September 2015 are equal.

For the three months ended 30 September 2015, the diluted earnings per share 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 potential dilutive shares is assumed in the computation of diluted earnings per share.

10. (LOSS) EARNINGS PER SHARE (Continued)

From Continuing and Discontinued Operations

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 operations		Total	
			Three months ended 30 September			
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
(Loss) Profit						
(Loss) Profit attributable to the owners of the Company, used in basic (loss) earnings per share calculation	(497)	8,945	-	5,182	(497)	14,127
Adjustment of profit attributable to the owners of the Company: Interest saving of the convertible bonds	-	9,785	-	-	-	9,785
(Loss) Profit attributable to the owners of the Company, used in the diluted (loss) earnings per share calculation	(497)	18,730	-	5,182	(497)	23,912
	Continuing operation		Discontinued operations		Total	
			Three months ended 30 September			
	2016 (Unaudited) '000	2015 (Unaudited) '000	2016 (Unaudited) '000	2015 (Unaudited) '000	2016 (Unaudited) '000	2015 (Unaudited) '000
Share						
Weighted average number of ordinary shares for basic (loss) earnings per share calculation	1,181,118	1,154,606	1,181,118	1,154,606	1,181,118	1,154,606
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	1,181,118	2,935,177	1,181,118	2,935,177	1,181,118	2,935,177
	Continuing operation		Discontinued operations		Total	
			Nine months ended 30 September			
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Profit (Loss)						
Profit (Loss) attributable to the owners of the Company, used in basic earnings (loss) per share calculation	18,769	(244,556)	1,654	(19,621)	20,423	(264,177)
Adjustment of profit (loss) attributable to the owners of the Company: Interest saving of the convertible bonds	-	-	-	-	-	-
Profit (Loss) attributable to the owners of the Company, used in the diluted earnings (loss) per share calculation	18,769	(244,556)	1,654	(19,621)	20,423	(264,177)

10. (LOSS) EARNINGS PER SHARE (Continued)

	Continuing operation		Discontinued operations		Total	
	2016 (Unaudited) '000	2015 (Unaudited) '000	Nine months ended 30 September 2015		2016 (Unaudited) '000	2015 (Unaudited) '000
			2016 (Unaudited) '000	(Unaudited) '000		
Share						
Weighted average number of ordinary shares for basic earnings (loss) per share calculation	1,173,861	1,082,336	1,173,861	1,082,336	1,173,861	1,082,336
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	-	-	-	-	-	-
Weighted average number of ordinary shares for diluted earnings (loss) per share calculation	1,173,861	1,082,336	1,173,861	1,082,336	1,173,861	1,082,336

11. GOODWILL

	Coal Trading CGU HK\$'000	Short-term Financing CGU HK\$'000	Software CGU HK\$'000	Total HK\$'000
Cost				
At 1 January 2015 (Unaudited)	24,425	709,557	-	733,982
Additions through acquisitions of subsidiaries	-	-	64,221	64,221
Transfer to assets of disposal group classified as held for sale (Note 9(b))	(24,425)	-	-	(24,425)
Exchange realignments	-	(25,214)	(2,189)	(27,403)
At 30 September 2015 (Unaudited)	-	684,343	62,032	746,375
At 1 January 2016 (Audited)	-	671,848	60,900	732,748
Disposal through disposal of subsidiaries (Note 13)	-	-	(61,329)	(61,329)
Exchange realignments	-	(17,560)	429	(17,131)
At 30 September 2016 (Unaudited)	-	654,288	-	654,288
Accumulated impairment losses				
At 1 January 2015 (Unaudited)	24,425	263,193	-	287,618
Impairment losses	-	275,934	7,605	283,539
Transfer to assets of disposal group classified as held for sale (Note 9(b))	(24,425)	-	-	(24,425)
Exchange realignments	-	(19,958)	(260)	(20,218)
At 30 September 2015 (Unaudited)	-	519,169	7,345	526,514
At 1 January 2016 (Audited)	-	509,691	41,089	550,780
Disposal through disposal of subsidiaries (Note 13)	-	-	(41,140)	(41,140)
Exchange realignments	-	(13,323)	51	(13,272)
At 30 September 2016 (Unaudited)	-	(496,368)	-	(496,368)
Net carrying amount				
At 30 September 2016 (Unaudited)	-	157,920	-	157,920
At 30 September 2015 (Unaudited)	-	165,174	54,687	219,861

11. GOODWILL (Continued)

Goodwill arising in prior years related to (i) the acquisition of equity interest in China Indonesia Friendship Coal Trading Company Limited (“**CIFC**”, together with its 90%-owned subsidiary, China Energy Trading Company Limited (“**China Energy**”), are collectively referred to as the “**CIFC Group**”) and was allocated to the coal trading cash generating unit (the “**Coal Trading CGU**”); (ii) the acquisition of Prima Finance Holdings Limited and its subsidiaries (collectively referred to as the “**Prima Finance Group**”); and (iii) the Auto-serve Group because the considerations paid for these acquisitions effectively included amounts in relation to the benefits originated from fast growing pawn broker business, business potential of the consulting business and the software development and sales business, expected synergies, future market development and the assembled workforce of the acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Goodwill attributable to the Coal Trading CGU was fully impaired in prior years and was disposed of during the previous financial period ended 31 December 2015.

Goodwill acquired through business combinations in prior years has been allocated to the CGUs as follows for impairment test:

Short-term Financing CGU: Goodwill-Prima Finance Group.

Software CGU: Goodwill-Auto-serve Group.

Short-term Financing CGU

As at 31 March 2015, in light of keen competition from the internet financing sector and the continuous reduction in the benchmark lending rate and the lowering of reserve requirement ratio as announced by the People’s Bank of China, which are expected to have a negative impact on the revenue and growth rate of the Short-term Financing CGU, based on the business value calculation, the recoverable amount of the Short-term Financing CGU fell below its then carrying amount. Accordingly, the goodwill allocated to the Short-term Financing CGU was impaired by approximately HK\$275,934,000 during the nine months ended 30 September 2015 with the key assumptions stated below.

As at 30 September 2016, the Group is of the opinion, with reference to an assessment performed on the similar basis with 30 June 2016 professional valuation performed by Greater China Appraisal Limited, that there is no impairment of goodwill in respect of the Short-term Financing CGU, as its recoverable amount exceeds its carrying value.

The recoverable amounts of the Short-term Financing CGU have been determined from the calculations of fair-value-less-cost-of-disposal based on cash flows projections derived from the financial budgets approved by the management covering a 10-year period, and are extrapolated to cash flows beyond such projected periods.

A 10-year financial budget is adopted for the Short-term Financing CGU because the management is confident on the predictability of the key inputs to the cash flow projection.

11. GOODWILL (Continued)

Software CGU

As at 31 March 2015, the management of the Group is of the opinion, based on the business value calculation, the Software CGU is partially impaired by approximately HK\$7,605,000 which was charged to profit or loss for the nine months ended 30 September 2015 with the key assumptions stated below.

The impairment is mainly due to the increase in fair value of the consideration as a result of increase in the share price of the Company at the date of completion of the acquisition since the negotiation and conclusion of the acquisition consideration, which in turn has resulted in a significant amount of goodwill recognised in connection with the acquisition of the Auto-serve Group.

As at 30 September 2016, no impairment loss on the Software CGU was considered necessarily as the Auto-serve Group in which the Software CGU is attributable to was disposed of during the Period and a gain on disposal was recognised in the profit or loss, details of which are set out in Note 9(c) and Note 13(b).

	Year ended 31 March 2015
Short-term Financing CGU	
Interest rates	18.7%-25.0%
Perpetual growth rate	3%
Post-tax discount rate	14.5%-15.5%
Software CGU	
Annual revenue growth rates on various service lines	10%-77.2%
Perpetual growth rate	3%
Post-tax discount rate	32.3%

Other information on fair value measurement of the CGUs

The quantitative information of the significant unobservable inputs and the description of valuation techniques used in the fair value measurement for the CGUs containing goodwill or intangible assets with indefinite useful life, including the sensitivity analysis to changes in unobservable inputs are as follow:

CGUs	Fair value hierarchy	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Short-term Financing CGU	Level 3	Income approach	Perpetual growth rate	The higher the perpetual growth rate, the higher the fair value
			Discount rate	The higher the discount rate, the lower the fair value

There were no transfers into or out of level 3 for the above fair value measurement of the CGUs during the Period (2015: Nil).

12. CONTINGENT CONSIDERATION

During the Period, the fair value gain on contingent consideration – consideration shares of approximately HK\$1,141,000 (Nine months ended 30 September 2015: approximately HK\$22,500,000) was attributed to the fair value measurement of contingent consideration – consideration shares of which was valued 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.

In relation to the disposal of Auto-serve Group, a termination agreement was entered by the Company and other related parties 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.

13. DISPOSALS OF SUBSIDIARIES

(a) Disposal of the Foremost Star Group

On 9 June 2015, the Group entered into a disposal agreement to dispose of (i) its entire equity interest in Foremost Star; and (ii) the aggregate advance owed by Foremost Star to the Group at a consideration of HK\$52,000,000. The Foremost Star Group carried all of the Group's property investments operation and the disposal of Foremost Star was completed on 10 July 2015. Further details of the disposal are set out in the announcement of the Company dated 9 June 2015. The net assets of the Foremost Star Group at the date of the disposal were as follows:

	HK\$'000
Investment property	50,000
Prepayments, deposits and other receivables	86
Cash and cash equivalents	1
Accrued expenses and other payables	(12)
Shareholder's loan of Foremost Star	(25,940)
<hr/>	
Net assets of the Foremost Star Group	24,135
Assignment of shareholder's loan of Foremost Star	25,940
Direct costs incurred for the disposal	280
Gain on disposal of subsidiaries (Note 9)	1,645
<hr/>	
Total cash consideration received	52,000

13. DISPOSALS OF SUBSIDIARIES (Continued)

(a) Disposal of the Foremost Star Group (Continued)

	HK\$'000
Net cash inflow arising on disposal:	
Cash consideration	52,000
Costs directly attributable to the disposal	(280)
Cash and cash equivalents disposed of	(1)
	51,719

(b) Disposal of the Auto-serve Group

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 (Note 11)	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 shareholder of Vibrant Youth	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
Contingent consideration payable (Note 12)	(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

The financial year end date of the Company has been changed from 31 March to 31 December starting from the financial year 2015 in order to align with the Company's financial year end date with its operating companies in the PRC thereby streamlining the preparation of the Company's financial reporting process. Therefore, the current financial period covers a period of nine months from 1 January 2016 to 30 September 2016 and the comparative figures covers a nine-month period from 1 January 2015 to 30 September 2015.

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 (i) 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 during the Period; (ii) property investments in Hong Kong; and (iii) business of coal trading between the PRC and Indonesia which were discontinued in the last financial period from 1 April 2015 to 31 December 2015. 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\$") 95,369,000 (2015: approximately HK\$107,537,000) from continuing operation, representing a slight decrease of approximately HK\$12,168,000 as compared with the corresponding period last year.

The administrative and other expenses for the Period from continuing operation has decreased by approximately HK\$12,325,000 to approximately HK\$35,989,000 (2015: approximately HK\$48,314,000).

The significant increase in profit attributable to the owners of the Company for the Period by approximately HK\$284,600,000 to approximately HK\$20,423,000 (2015: a substantial loss of approximately HK\$264,177,000) was mainly attributable to the effect that no non-cash impairment loss on goodwill in relation to the short-term financing services cash generating unit was recorded for the Period, while impairment loss of approximately HK\$275,934,000 was recorded for the corresponding period last year.

Continuing Operation

Short-term Financing Services

During the Period, the revenue of short-term financing services business was approximately HK\$95,369,000 (2015: approximately HK\$107,537,000). The segment results of the short-term financing services business recorded a profit of approximately HK\$75,681,000 (2015: loss of approximately HK\$194,163,000). The significant increase in segment profit for the Period when compared with the last corresponding period was mainly attributable to no non-cash impairment loss on goodwill of the short-term financing services business was recorded for the Period, while impairment loss of approximately HK\$275,934,000 was recorded for the corresponding period last year.

Discontinued Operation

Development and Sales of Software

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 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the development and sales of software operation was classified as a discontinued operation. Details of the disposal are set out in the Company's announcements dated 24 March 2016 and 31 March 2016. The disposal was completed on 31 March 2016.

BUSINESS AND FINANCIAL REVIEW (Continued)

Discontinued Operation (Continued)

Development and Sales of Software (Continued)

This segment recorded a revenue of approximately HK\$4,730,000 (2015: approximately HK\$12,017,000) and profit before income tax of approximately HK\$1,648,000 (2015: loss before income tax of approximately HK\$2,247,000) during the Period. The increase in profit was mainly due to the recognition of gain on disposal of Auto-serve Group of approximately HK\$2,033,000 during the Period while the loss resulted for the same period last year was mainly due to a non-cash impairment loss on goodwill of approximately HK\$7,605,000 was recorded for the nine months ended 30 September 2015.

SIGNIFICANT INVESTMENTS AND DISPOSALS OF SUBSIDIARIES

Issue of Earn Out Consideration Shares for Auto-serve Group

References are made to the announcements of the Company dated 13 January 2015, 23 January 2015, and 13 March 2015 (the “**Announcements**”) in relation to, among others, the acquisition of the Auto-serve Group, which involves the issue of consideration shares under general mandate. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

On 2 March 2016, the Company received the auditors’ certificate confirming that the Actual Aggregated Profit for the year ended 31 December 2015 is approximately RMB5,287,000, and the Adjusted 2015 Earn Out Consideration Shares to be approximately 26,512,000 shares of the Company. As disclosed in the Announcements, subject to the Actual Aggregated Profit of the Auto-serve Group for the year ended 31 December 2015, the Company should pay Vendor C and Vendor D (or their nominee(s)) the Earn Out Consideration Shares pursuant to the Agreement (as amended and supplemented by the Supplemental Agreement).

The Adjusted 2015 Earn Out Consideration Shares would be allotted and issued to the Vendor C and Vendor D (or their nominee(s)) within 10 Business Days from the issue of the audited financial statements of Beijing Auto-serve Software Company Limited and audited consolidated financial statements of Vibrant Youth Limited for the year ended 31 December 2015.

On 16 March 2016, an aggregate of 26,512,494 Adjusted 2015 Earn Out Consideration Shares were allotted and issued.

Further details are set out in the announcement of the Company dated 2 March 2016.

Disposal of Auto-serve Group

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 a 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. Accordingly, the Group’s development and sales of software operation was classified as a discontinued operation. The disposal was completed on 31 March 2016.

Details of the disposal are set out in the announcements of the Company dated 24 March 2016 and 31 March 2016.

Save as disclosed above, the Group did not have any other significant investments and disposals of subsidiaries during the Period.

ADVANCE TO AN ENTITY

On 29 December 2015, 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 北京建興泰建設科技有限責任公司 (Beijing Jianxingtai Construction and Technology Co., Ltd.*) (the “**Borrower**”) pursuant to which the Group entrusted the Lending Bank with an amount of RMB76,000,000 (equivalent to approximately HK\$90,721,000) 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**”). On 26 August 2016, the total outstanding principal amount of RMB71,088,000 (equivalent to approximately HK\$82,791,000) was repaid in full by the Borrower. As at 30 September 2016, no more advance was granted to the Borrower under the entrusted loan agreement. (As at 31 December 2015: RMB42,000,000 (equivalent to approximately HK\$50,135,000) was drawn by the Borrower.)

Details of the Transaction are set out in the announcement of the Company dated 29 December 2015.

PROSPECTS

Looking ahead, the global business environment is expected to be complex and continue to create challenging operating conditions for businesses. The PRC economy is expected to continue to deteriorate with a lower GDP growth rate. However, the Group will continue to leverage on its competitive advantage, solidify and further develop its short-term financing services. Apart from strengthening the present Beijing market, the Group will further expand its businesses in Shenyang, Hong Kong, and the other cities. The Group will seek new development opportunities so as to offer various financial products to our customers at the right time. In addition, the Group is committed to becoming an integrated financial services provider, and will continue to actively explore the opportunities to co-operate with various financial institutions in the future.

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 2016, 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
Ms. Li Wei (Note)	Beneficial owner	1,932,000	0.16

Note: Ms. Li Wei is an executive Director and the chief operating officer of the Company.

* *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 (Continued)

Save for those disclosed above, as at 30 September 2016, 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 2016, the following 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	117.23
Mr. Dai Di (Note 1)	–	1,384,571,429	1,384,571,429	117.23
Time Prestige Holdings Limited (Note 2)	161,142,857	–	161,142,857	13.64
Mr. Dai Hao (Notes 2 and 3)	–	563,999,999	563,999,999	47.75
Bustling Capital Limited (Note 3)	402,857,142	–	402,857,142	34.10
Ms. Jin Yu (Notes 2 and 3)	–	563,999,999	563,999,999	47.75
Silver Palm Limited (Note 4)	71,428,571	–	71,428,571	6.04
Mr. Wang Jia Sheng (Note 4)	–	71,428,571	71,428,571	6.04

Notes:

- The 1,384,571,429 Shares held by Exuberant Global Limited represent (i) 174,200,000 Shares; and (ii) 1,210,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global Limited 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 Limited.
- The 161,142,857 Shares held by Time Prestige Holdings Limited represent (i) 26,800,000 Shares; and (ii) 134,342,857 Shares to be issued upon full conversion of the convertible bonds. Time Prestige Holdings Limited 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.

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

3. The 402,857,142 Shares held by Bustling Capital Limited represent (i) 67,000,000 Shares; and (ii) 335,857,142 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital Limited 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 Holdings Limited.
4. Silver Palm Limited is wholly and beneficially owned by Mr. Wang Jia Sheng. Accordingly, Mr. Wang Jia Sheng is deemed to be interested in the 71,428,571 Shares held by Silver Palm Limited.
5. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 September 2016 (i.e. 1,181,118,056 Shares).

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 2016, 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 30 September 2016, 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) have engaged in any business that competes or might compete with the business of the Group, or have 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.

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
Mr. Zhang Wei
Chairman and Executive Director

Hong Kong, 11 November 2016

As at the date of this report, 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.