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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)

POSITIVE PROFIT ALERT

This announcement is made by Capital Finance Holdings Limited (“**Company**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The board (the “**Board**”) of the directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that, based on the information currently available to the Company and preliminary review of the unaudited consolidated management accounts of the Company and its subsidiaries (the “**Group**”), it is expected to record a profit attributable to owners of the Company for the nine months ended 30 September 2018 as compared to a loss attributable to owners of the Company of approximately HK\$11.9 million for the corresponding period in 2017 (the “**Expected Turnaround**”).

The Expected Turnaround was mainly attributable to the significant increase in the financial consultancy income and the write back of the allowance for expected credit losses on loans to customers was recorded in the financial statements for the nine months period ended 30 September 2018 when the Hong Kong Financial Reporting Standard 9 Financial Instruments (“**HKFRS 9**”) was adopted by the Group for the first time. As disclosed in Note 2(iii) to the Company’s consolidated financial statements for the year ended 31 December 2017 set out in the Company’s 2017 annual report, HKFRS 9 requires adoption of an expected credit loss model, as opposed to an incurred credit loss model required under Hong Kong Accounting Standard 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk. The adoption of HKFRS 9 by the Group on 1 January 2018 resulted in a material allowance for expected credit losses on loans to customers as at 1 January 2018, and a subsequent write back of a portion of such allowance during the nine months ended 30 September 2018.

As the Company is still in the process of finalising the third quarterly results of the Group for the nine months ended 30 September 2018, the information contained in this positive profit alert announcement is only based on the Company's preliminary assessment of the unaudited consolidated management accounts of the Group and information currently available to the Group. The third quarterly results of the Group for the nine months ended 30 September 2018 are not yet finalised nor reviewed by the audit committee of the Company. Further details of the Group's financial information for the nine months ended 30 September 2018 will be disclosed in the unaudited third quarterly results announcement, which is expected to be published on or around 9 November 2018.

The information contained in this announcement is only based on information currently available and the preliminary review by the Board. Shareholders and potential investors are therefore, advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Capital Finance Holdings Limited
Zhang Wei
Chairman and Executive Director

Hong Kong, 2 November 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Mr. Yang Bo; the non-executive Director is Mr. Zang Wei; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Du Hui and Dr. Wong Wing Kuen, Albert.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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