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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **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.**

*This announcement, for which the directors (the “**Directors**”) of Capital Finance Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## FINANCIAL RESULTS

The board (the “**Board**”) of Directors of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	<u>45,376</u>	<u>41,595</u>
Other income and other gains and losses, net	4	<b>2,983</b>	2,779
Administrative and other expenses		<b>(38,479)</b>	(42,205)
Reversal/(Charge) of loss allowance for expected credit loss on loans to customers		<b>25,642</b>	(31,533)
Fair value (losses)/gains on investment properties		<b>(156)</b>	225
Fair value gains on financial assets at fair value through profit or loss (“ <b>FVTPL</b> ”)		<b>5,670</b>	301
Write-off of financial assets at FVTPL		<b>(4,763)</b>	—
Write-off of repossessed assets		<b>(2,288)</b>	—
Share of loss of a joint venture		<b>(549)</b>	—
Loss on disposal of a subsidiary		<b>(2,284)</b>	—
Finance costs	6	<u><b>(39,565)</b></u>	<u>(49,125)</u>
<b>Loss before income tax</b>	6	<b>(8,413)</b>	(77,963)
Income tax expenses	7	<u><b>(15,624)</b></u>	<u>(257)</u>
<b>Loss for the year</b>		<u><u><b>(24,037)</b></u></u>	<u><u>(78,220)</u></u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(19,017)</b>	(75,952)
Non-controlling interests		<u><b>(5,020)</b></u>	<u>(2,268)</u>
		<u><u><b>(24,037)</b></u></u>	<u><u>(78,220)</u></u>
<b>Loss per share attributable to owners of the Company</b>	9		
Basic and diluted (Hong Kong cents)		<u><u><b>(2.58)</b></u></u>	<u><u>(26.48)</u></u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss for the year</b>	<b><u>(24,037)</u></b>	<b><u>(78,220)</u></b>
<b>Other comprehensive income for the year</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
— Changes in fair value of equity investment at fair value through other comprehensive income (“FVTOCI”)	<u>2,937</u>	<u>248</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Exchange differences on translation of share of other comprehensive income of a joint venture	99	—
— Exchange differences on translation of financial statements of foreign operations	<u>13,469</u>	<u>26,237</u>
<i>Item that has been reclassified subsequently to profit or loss:</i>		
— Reclassification on exchange reserve upon disposal of a subsidiary	<u>2,674</u>	—
<b>Other comprehensive income for the year, net of tax</b>	<b><u>19,179</u></b>	<b><u>26,485</u></b>
<b>Total comprehensive expense for the year</b>	<b><u>(4,858)</u></b>	<b><u>(51,735)</u></b>
<b>Total comprehensive expense attributable to:</b>		
Owners of the Company	(1,303)	(52,211)
Non-controlling interests	<u>(3,555)</u>	<u>476</u>
	<b><u>(4,858)</u></b>	<b><u>(51,735)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>1,804</b>	2,164
Right-of-use assets		<b>5,607</b>	5,700
Investment properties		<b>6,824</b>	6,759
Intangible assets	<i>11</i>	—	—
Goodwill	<i>12</i>	—	—
Investment in a joint venture		<b>5,702</b>	—
Equity investment at FVTOCI		—	5,409
Deferred tax assets		<b>28,635</b>	34,811
		<hr/> <b>48,572</b>	<hr/> 54,843
<b>Current assets</b>			
Repossessed assets		—	2,253
Financial assets at FVTPL		<b>5,626</b>	16,864
Loans to customers	<i>13</i>	<b>247,252</b>	254,062
Prepayments, deposits and other receivables		<b>10,572</b>	3,535
Cash and cash equivalents		<b>95,905</b>	139,193
		<hr/> <b>359,355</b>	<hr/> 415,907
Equity investment at FVTOCI classified as held for sale		<b>8,576</b>	—
		<hr/> <b>367,931</b>	<hr/> 415,907
<b>Current liabilities</b>			
Accrued expenses, other payables and deposits received		<b>9,739</b>	9,251
Tax payables		<b>2,078</b>	1,094
Dividends payable to non-controlling interests		—	580
Promissory notes		—	5,334
Convertible bonds — liability component		<b>99,731</b>	—
Lease liabilities		<b>1,639</b>	1,408
		<hr/> <b>113,187</b>	<hr/> 17,667
<b>Net current assets</b>		<hr/> <b>254,744</b>	<hr/> 398,240
<b>Total assets less current liabilities</b>		<hr/> <b>303,316</b>	<hr/> 453,083

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Convertible bonds — liability component	181,467	422,921
Lease liabilities	3,985	4,143
	<u>185,452</u>	<u>427,064</u>
<b>Net assets</b>	<u><b>117,864</b></u>	<u><b>26,019</b></u>
<b>Capital and reserves</b>		
Issued capital	50,591	14,064
Reserves	24,305	(35,052)
Amounts recognised in other comprehensive income and accumulated in equity relating to equity investment at FVTOCI held for sale	<u>106</u>	<u>—</u>
Equity attributable to owners of the Company	75,002	(20,988)
Non-controlling interests	<u>42,862</u>	<u>47,007</u>
<b>Total equity</b>	<u><b>117,864</b></u>	<u><b>26,019</b></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company									Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	FVTOCI reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	13,012	616,828	131,109	280,749	(85,125)	10,978	(3,079)	25,563	(968,668)	21,367	49,620	70,987
Loss for the year	—	—	—	—	—	—	—	—	(75,952)	(75,952)	(2,268)	(78,220)
<b>Other comprehensive income</b>												
<i>Item that will not be reclassified to profit or loss:</i>												
Changes in fair value of equity investment at FVTOCI	—	—	—	—	—	—	248	—	—	248	—	248
<i>Item that may be reclassified subsequently to profit or loss:</i>												
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	23,493	—	—	—	—	23,493	2,744	26,237
Other comprehensive income for the year	—	—	—	—	23,493	—	248	—	—	23,741	2,744	26,485
Total comprehensive expense for the year	—	—	—	—	23,493	—	248	—	(75,952)	(52,211)	476	(51,735)
Transfer to statutory reserve	—	—	—	—	—	—	—	1,275	(1,275)	—	—	—
<b>Transactions with owners</b>												
Issue of new shares upon placing	1,052	8,557	—	—	—	—	—	—	—	9,609	—	9,609
Dividends declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,089)	(3,089)
Deemed capital contribution arising from liability portion of convertible bonds	—	—	—	2,136	—	—	—	—	—	2,136	—	2,136
Redemption of 2022 CB by cash	—	—	—	—	—	(1,696)	—	—	(193)	(1,889)	—	(1,889)
Transactions with owners	1,052	8,557	—	2,136	—	(1,696)	—	—	(193)	9,856	(3,089)	6,767
As at 31 December 2020	14,064	625,385	131,109	282,885	(61,632)	9,282	(2,831)	26,838	(1,046,088)	(20,988)	47,007	26,019

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2021

	Attributable to owners of the Company										Total equity 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	FVTOCI reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Non- controlling interests HK\$'000
As at 1 January 2021	14,064	625,385	131,109	282,885	(61,632)	9,282	(2,831)	26,838	(1,046,088)	(20,988)	47,007	26,019
Loss for the year	—	—	—	—	—	—	—	—	(19,017)	(19,017)	(5,020)	(24,037)
<b>Other comprehensive income</b>												
<i>Item that will not be reclassified to profit or loss:</i>												
Changes in fair value of equity investment at FVTOCI	—	—	—	—	—	—	2,937	—	—	2,937	—	2,937
<i>Items that may be reclassified subsequently to profit or loss:</i>												
Exchange differences on translation of												
— share of other comprehensive income of a joint venture	—	—	—	—	99	—	—	—	—	99	—	99
— financial statements of foreign operations	—	—	—	—	12,004	—	—	—	—	12,004	1,465	13,469
<i>Item that has been reclassified subsequently to profit or loss:</i>												
Reclassification on exchange reserve upon disposal of a subsidiary	—	—	—	—	2,674	—	—	—	—	2,674	—	2,674
Other comprehensive income for the year	—	—	—	—	14,777	—	2,937	—	—	17,714	1,465	19,179
Total comprehensive expense for the year	—	—	—	—	14,777	—	2,937	—	(19,017)	(1,303)	(3,555)	(4,858)
Transfer to statutory reserve	—	—	—	—	—	—	—	2,143	(2,143)	—	—	—
Transfer upon disposal of a subsidiary	—	—	—	—	—	—	—	(3,096)	3,096	—	—	—
<b>Transactions with owners</b>												
Issue of new shares upon rights issue	28,127	43,955	—	—	—	—	—	—	—	72,082	—	72,082
Issue of new shares upon placing	8,400	16,813	—	—	—	—	—	—	—	25,213	—	25,213
Dividends declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(590)	(590)
Deemed capital contribution arising from liability portion of convertible bonds	—	—	—	4,002	—	—	—	—	—	4,002	—	4,002
Redemption of 2022 CB by cash	—	—	—	—	—	(3,235)	—	—	(769)	(4,004)	—	(4,004)
Transactions with owners	36,527	60,768	—	4,002	—	(3,235)	—	—	(769)	97,293	(590)	96,703
As at 31 December 2021	<u>50,591</u>	<u>686,153</u>	<u>131,109</u>	<u>286,887</u>	<u>(46,855)</u>	<u>6,047</u>	<u>106</u>	<u>25,885</u>	<u>(1,064,921)</u>	<u>75,002</u>	<u>42,862</u>	<u>117,864</u>

Notes:

## **1. CORPORATE INFORMATION**

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 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, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

The Company is principally engaged in investment holding. The Group is principally engaged in the provision of short-term financing services in the People's Republic of China (the "PRC") and Hong Kong.

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

## **2. STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in Note 3.

### 3. ADOPTION OF NEW/REVISED HKFRSs AND FUTURE CHANGES IN HKFRSs

#### Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

#### *Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2*

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

## Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>(1)</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>(2)</sup>
Amendments to HKAS 37	Cost of Fulfilling a Contract <sup>(2)</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>(2)</sup>
Annual Improvements to HKFRSs	2018–2020 Cycle <sup>(2)</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>(3)</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>(3)</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>(3)</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>(3)</sup>
HKFRS 17	Insurance Contracts <sup>(3)</sup>
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information <sup>(3)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(4)</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>(3)</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>(4)</sup> The effective date to be determined

The Directors of the Company are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

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

The Group's revenue represents the short-term financing services income. An analysis of the Group's revenue, other income and other gains and losses, net is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>		
<b>Revenue from other sources</b>		
Interest income from loans to customers	44,531	38,840
Settlement gain from distressed debt assets classified in loans to customers	114	1,586
	<u>44,645</u>	<u>40,426</u>
<b>Revenue from contracts with customers within HKFRS 15</b>		
Financial consultancy income	731	1,169
Short-term financing services income	<u>45,376</u>	<u>41,595</u>
<b>Other income and other gains and losses, net</b>		
Bank interest income	2,159	2,813
Gain on modification of terms of a promissory note	—	215
Gain on early redemption of convertible bonds	126	—
Loss on early termination of a lease	(54)	—
Loss on disposal of property, plant and equipment	(24)	(1)
Loss on disposal of an investment property	—	(1,023)
Loss on redemption of financial assets at FVTPL	(296)	—
Rental income from investment properties	50	25
Sundry income	1,022	750
	<u>2,983</u>	<u>2,779</u>

The revenue from contracts with customers within HKFRS 15 for financial consultancy income generated by the Group was recognised over time during the years ended 31 December 2021 and 2020.

## 5. 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. On this basis, the Group has determined that it only has one operating segment which is the provision of short-term financing services to the customers. 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 and revenues are based on the location in which the customers are located; assets and capital expenditure are attributed to the segments based on the locations of the assets.

The Company is an investment holding company and the principal place of the Group’s operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. The Group’s revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

The following table provides an analysis of the Group’s revenue from external customers and non-current assets other than investment in a joint venture, financial instruments and deferred tax assets (“Specified non-current assets”):

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		As at 31 December	
	2021	2020	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Hong Kong	—	—	860	1,796
The PRC	45,376	41,595	13,375	12,827
	<u>45,376</u>	<u>41,595</u>	<u>14,235</u>	<u>14,623</u>

The customer base in short-term financing services segment is diversified. There is one customer (2020: none) individually contributed an interest income from loans to customers of approximately HK\$6,722,000 (2020: Nil) which represents 10% or more of the Group’s revenue for the year ended 31 December 2021.

## 6. LOSS BEFORE INCOME TAX

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

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Finance costs</b>			
Effective interest expenses on			
— convertible bonds		<b>39,226</b>	47,467
— promissory notes		<b>109</b>	1,470
— lease liabilities		<b>230</b>	188
		<u><b>39,565</b></u>	<u>49,125</u>
<b>Other items</b>			
Staff costs (excluding Directors' emoluments)			
<i>(Note)</i>			
Salaries, allowances and other benefits		<b>15,848</b>	14,025
Pension scheme contributions		<b>1,632</b>	1,037
		<u><b>17,480</b></u>	<u>15,062</u>
Auditor's remuneration			
— Audit services		<b>791</b>	756
— Non-audit services		<b>238</b>	382
Depreciation of property, plant and equipment	<i>10</i>	<b>535</b>	434
Depreciation of right-of-use assets		<b>1,754</b>	3,150
Exchange difference, net		<b>(640)</b>	(428)
Short-term or low value lease payments		<b>1,760</b>	110

*Note:*

For the years ended 31 December 2021 and 2020, there were no forfeited contributions which were available to reduce the Group's existing level of contributions to the Mandatory Provident Fund Scheme and the PRC Retirement Scheme.

## 7. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current income tax</b>		
Hong Kong		
Current tax charge for the year	<u>87</u>	<u>—</u>
The PRC		
Current tax charge for the year	6,330	5,221
Under/(Over)-provision in respect of prior years	<u>187</u>	<u>(13)</u>
	<u>6,517</u>	<u>5,208</u>
<b>Withholding tax on dividends</b>	<b>1,811</b>	<b>2,137</b>
<b>Deferred tax charged/(credited)</b>	<b><u>7,209</u></b>	<b><u>(7,088)</u></b>
Income tax expenses	<b><u><u>15,624</u></u></b>	<b><u><u>257</u></u></b>

The Company is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which entities in the Group and domiciled and operated.

Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax under these jurisdictions.

For the year ended 31 December 2021, the assessable profits on the Company's estimated assessable profits arising from Hong Kong is subject to the two-tiered profits tax regime that the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% and assessable profits above HK\$2 million will be taxed at 16.5% under Hong Kong Profits Tax. The assessable profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the year ended 31 December 2020, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong.

The subsidiaries of the Group established in the PRC, save for below, are subject to enterprise income tax (“EIT”) of the PRC at 25% (2020: 25%). Pursuant to the relevant laws and implementation rules announced by the People’s Government of the Tibet Autonomous Region, 拉薩嘉德財務顧問有限公司 (Lhasa Jiade Financial Consultant Company Limited\*, “Lhasa Jiade”), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the years ended 31 December 2021 and 2020. According to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises issued by Ministry of Finance and the State Administration of Taxation, the taxable income in the years ended 31 December 2021 and 2020 of certain subsidiaries of the Group established in the PRC were less than Renminbi (“RMB”) 3 million, which satisfies the provisions of the notice above. During the years ended 31 December 2021 and 2020, the part of taxable income that is not in excess of RMB1 million is reduced to 25% of original total taxable income, and the applicable EIT rate is 20%. Additionally, the part of taxable income that is between RMB1 million and RMB3 million is reduced to 50% of original total taxable income, and the applicable EIT rate is 20%.

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% (2020: 10%).

The income tax expenses for the year can be reconciled to the accounting loss before income tax per the consolidated income statement as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Loss before income tax	<u>(8,413)</u>	<u>(77,963)</u>
Tax calculated at the rates applicable to the tax jurisdiction concerned	1,888	(14,269)
Tax effect on income not taxable for tax purpose	(154)	(215)
Tax effect on expenses not deductible for tax purpose	13,458	12,746
Tax concession	(34)	(129)
Utilisation of previously unrecognised tax losses	(1,532)	—
Under/(Over)-provision in respect of prior years	187	(13)
Withholding tax on dividends	<u>1,811</u>	<u>2,137</u>
Income tax expenses for the year	<u><u>15,624</u></u>	<u><u>257</u></u>

\* English name is for identification purpose only

## **8. DIVIDEND**

No dividend has been paid or declared by the Company for the year ended 31 December 2021 (2020: Nil). The Directors of the Company do not recommend for payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## **9. LOSS PER SHARE**

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

The calculation of diluted loss per share for the year is based on the loss for the year attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation of diluted loss per share is the number of ordinary shares in issue during the year 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 year ended 31 December 2021, as the Company's outstanding convertible bonds had an anti-dilutive (2020: 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 year ended 31 December 2021 are equal (2020: equal).

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculations	<u><b>(19,017)</b></u>	<u><b>(75,952)</b></u>
	<b>Number of shares</b>	
	<b>2021</b> <i>'000</i>	2020 <i>'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares for basic and diluted loss per share calculations (Notes a and b)	<u><b>736,551</b></u>	<u><b>286,871</b></u>

Notes:

- (a) The weighted average number of ordinary shares of 736,551,219 for the year ended 31 December 2021 is derived from 281,276,411 shares in issue as at 1 January 2021 after taking into account the effects of (i) issue of shares upon rights issue completed on 15 March 2021; and (ii) placing of shares under general mandate completed on 20 December 2021.
- (b) The weighted average number of ordinary shares of 286,870,850 for the year ended 31 December 2020 is derived from 1,301,118,056 shares in issue as at 1 January 2020 after taking into account the effects of (i) placing of shares under general mandate completed on 17 February 2020; (ii) the share consolidation with effect on 8 April 2020; and (iii) the rights issue became unconditional and completed as announced on 15 March 2021.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
As at 1 January 2020	506	1,869	580	2,955
Additions	—	1,010	779	1,789
Disposal/Written off	—	(195)	—	(195)
Exchange realignments	—	120	94	214
As at 31 December 2020 and 1 January 2021	<b>506</b>	<b>2,804</b>	<b>1,453</b>	<b>4,763</b>
Additions	—	137	—	137
Disposal/Written off	—	(124)	(237)	(361)
Disposal through disposal of a subsidiary	—	(4)	—	(4)
Exchange realignments	—	71	44	115
<b>As at 31 December 2021</b>	<b><u>506</u></b>	<b><u>2,884</u></b>	<b><u>1,260</u></b>	<b><u>4,650</u></b>
<b>Accumulated depreciation</b>				
As at 1 January 2020	506	1,384	319	2,209
Disposal/Written off	—	(185)	—	(185)
Charge for the year	—	330	104	434
Exchange realignments	—	59	82	141
As at 31 December 2020 and 1 January 2021	<b>506</b>	<b>1,588</b>	<b>505</b>	<b>2,599</b>
Disposal/Written off	—	(112)	(225)	(337)
Disposal through disposal of a subsidiary	—	(4)	—	(4)
Charge for the year	—	297	238	535
Exchange realignments	—	37	16	53
<b>As at 31 December 2021</b>	<b><u>506</u></b>	<b><u>1,806</u></b>	<b><u>534</u></b>	<b><u>2,846</u></b>
<b>Net carrying amount</b>				
<b>As at 31 December 2021</b>	<b><u>—</u></b>	<b><u>1,078</u></b>	<b><u>726</u></b>	<b><u>1,804</u></b>
As at 31 December 2020	<u>—</u>	<u>1,216</u>	<u>948</u>	<u>2,164</u>

## 11. INTANGIBLE ASSETS

	<b>Pawn Licences HK\$'000</b>
<b>Cost</b>	
As at 1 January 2020	149,133
Exchange realignments	<u>9,129</u>
As at 31 December 2020 and 1 January 2021	<b>158,262</b>
Exchange realignments	<u>5,258</u>
<b>As at 31 December 2021</b>	<b><u><u>163,520</u></u></b>
<b>Accumulated impairment losses</b>	
As at 1 January 2020	149,133
Exchange realignments	<u>9,129</u>
As at 31 December 2020 and 1 January 2021	<b>158,262</b>
Exchange realignments	<u>5,258</u>
<b>As at 31 December 2021</b>	<b><u><u>163,520</u></u></b>
<b>Net carrying amount</b>	
<b>As at 31 December 2021</b>	<b><u><u>—</u></u></b>
As at 31 December 2020	<u><u>—</u></u>
<b>Pawn Licences</b>	

Pawn Licences represented the operating licences of the Pawn Broker Business (as defined in the Company's circular dated 30 May 2014), arising from the short-term financing business acquired by the Group in prior years. The Directors of the Company were of the opinion that the Group would renew the Pawn Licences, at minimal cost, continuously and had the ability to do so. Therefore, the Pawn Licences were considered by the Directors of the Company as having an indefinite useful life.

The impairment assessment of the Pawn Licences was included in the impairment assessment of the Short-term Financing CGU (as defined in Note 12) that includes goodwill. As at 31 December 2016, the recoverable amount of the Short-term Financing CGU fell below its carrying amount, the Directors of the Company concluded that, assessed together with goodwill (Note 12), should be fully impaired.

## 12. GOODWILL

	<b>Short-term Financing CGU HK\$'000</b>
<b>Cost</b>	
As at 1 January 2020	628,903
Exchange realignments	<u>38,497</u>
As at 31 December 2020 and 1 January 2021	<b>667,400</b>
Exchange realignments	<u>22,175</u>
<b>As at 31 December 2021</b>	<b><u><u>689,575</u></u></b>
<b>Accumulated impairment losses</b>	
As at 1 January 2020	628,903
Exchange realignments	<u>38,497</u>
As at 31 December 2020 and 1 January 2021	<b>667,400</b>
Exchange realignments	<u>22,175</u>
<b>As at 31 December 2021</b>	<b><u><u>689,575</u></u></b>
<b>Net carrying amount</b>	
<b>As at 31 December 2021</b>	<b><u><u>—</u></u></b>
As at 31 December 2020	<u><u>—</u></u>

Goodwill arising in prior years related to the acquisitions of equity interests in Prima Finance Holdings Limited (“**Prima Finance**”) and Sunny Bridge Investments Limited (“**Sunny Bridge**”) and its subsidiaries and was allocated to the short-term financing CGU (“**Short-term Financing CGU**”).

Goodwill acquired through business combinations in prior years had been allocated to the Short-term Financing CGU for impairment test.

As at 31 December 2016, in light of unfavourable operating environment and keen competition of the short-term financing industry, including the relatively lower interest rate environment in the PRC and increasing number of competitors, that were expected to have a negative impact on the future cash flows that could be generated by the Short-term Financing CGU, the Directors of the Company had re-estimated the cash flows that could be generated from the Short-term Financing CGU. Based on the fair value less costs of disposal estimated using the revised cash flow projections and using the income approach, the Directors of the Company concluded that goodwill and Pawn Licenses allocated to the Short-term Financing CGU had been fully impaired.

### 13. LOANS TO CUSTOMERS

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal and interest receivables:		
Pawn loans	<b>230,274</b>	264,380
Micro-credit loans	<b>111,549</b>	97,326
Entrusted loans	—	13,875
Distressed debt assets	<b>18,085</b>	17,503
	<hr/>	<hr/>
Loans to customers, gross	<b>359,908</b>	393,084
Less:		
Loss allowance	<b>(112,656)</b>	(139,022)
	<hr/>	<hr/>
Loans to customers, net	<b><u>247,252</u></b>	<u>254,062</u>

Loss allowance on loans to customers which are short term in duration (i.e. loan term of less than one year) are always measured at an amount equal to lifetime expected credit losses (“**ECLs**”).

The following is a credit quality analysis of loans to customers before loss allowance for ECLs as at 31 December 2021 and 2020 under the requirements of HKFRS 9:

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither overdue nor credit-impaired	<b>187,283</b>	172,985
Overdue but not credit-impaired		
— overdue within 30 days	<b>4,666</b>	33,148
— overdue 30 to 90 days	<b>30,250</b>	16,914
Overdue and credit-impaired		
— overdue more than 90 days	<b>137,709</b>	170,037
	<b>359,908</b>	393,084

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

During the year ended 31 December 2021, the Group is principally engaged in short-term financing services in the PRC and Hong Kong.

The Group recorded total revenue for the year ended 31 December 2021 of approximately HK\$45,376,000 (2020: approximately HK\$41,595,000), representing an increase of approximately HK\$3,781,000 as compared with last year. The increase in total revenue was mainly attributable to the increase in interest income from short-term financing services during the year ended 31 December 2021.

The administrative and other expenses for the year ended 31 December 2021 has slightly decreased from approximately HK\$42,205,000 in the year 2020 to approximately HK\$38,479,000.

Other income and other gains and losses, net for the year ended 31 December 2021 was approximately HK\$2,983,000 (2020: approximately HK\$2,779,000), which represents an increase of approximately HK\$204,000 when compared to the year 2020.

Loss on disposal of a subsidiary of approximately HK\$2,284,000 was recorded for the year ended 31 December 2021. The loss was a result of reclassification on exchange reserve upon disposal of a subsidiary of approximately HK\$2,674,000. Should such reclassification of exchange reserve was excluded from the loss on disposal of approximately HK\$2,284,000, the disposal would have resulted in a gain on disposal of approximately HK\$390,000.

Fair value gains on financial assets at FVTPL for the year ended 31 December 2021 has significantly increased from approximately HK\$301,000 in the year 2020 to approximately HK\$5,670,000. The rise in fair value gain was contributed by both unrealised gain and realised gain arising from securities transactions entered by the Group during the year ended 31 December 2021.

Write-off of financial assets at FVTPL of approximately HK\$4,763,000 was recorded for the year ended 31 December 2021. The financial assets at fair value through profit or loss represented an equity investment in a private entity incorporated in the PRC, which was obtained through a debt restructuring of a loan customer of the Group during the year ended 31 December 2020. The equity investment was fully written off as its recoverable amount was minimal as at 31 December 2021.

The Group recorded reversal of loss allowance for ECLs on loans to customers for the year ended 31 December 2021 of approximately HK\$25,642,000 while charge of loss allowance for ECLs on loans to customers of approximately HK\$31,533,000 was recorded in the year 2020. The turnaround on loss allowance for ECLs was mainly due to the improvement on the customers' ageing after the containment of COVID-19 pandemic in the PRC.

The Company has completed the acquisition of 25% equity interest in 宣威瑞草生物科技有限公司 (Xuan Wei Rui Cao Biological Technology Company Limited\*), which is classified as investment in a joint venture, in May 2021. As the joint venture is still in its early stage of establishment and certain setup costs were incurred, the Group, therefore, recorded share of loss of a joint venture for the year ended 31 December 2021 of approximately HK\$549,000 (2020: N/A).

The loss attributable to the owners of the Company for the year ended 31 December 2021 was approximately HK\$19,017,000 (2020: approximately HK\$75,952,000). The decrease in loss attributable to the owners of the Company was mainly attributable to the net-off effect of (i) an increase in total revenue by approximately HK\$3,781,000 for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020; (ii) a reversal of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts) of approximately HK\$18,433,000 was recorded for the year ended 31 December 2021 while a charge of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts) of approximately HK\$24,445,000 was recorded for the year ended 31 December 2020 mainly due to the improvement on the customers' ageing after the containment of COVID-19 pandemic in the PRC; and (iii) a decrease in finance costs for the year ended 31 December 2021 by approximately HK\$9,560,000 as compared to that for the year ended 31 December 2020 a result of partial redemptions of convertible bonds and redemptions of promissory note made by the Group during the years ended 31 December 2020 and 2021.

### **Short-term financing services**

During the year ended 31 December 2021, the financial results of short-term financing services were substantially contributed by loan businesses and financial consultancy services of the Group, in which the revenue of these businesses was approximately HK\$45,262,000 (2020: approximately HK\$39,197,000); and the operating results of these businesses recorded a profit before income tax of approximately HK\$59,059,000 (2020: loss before income tax of approximately HK\$6,755,000). The turnaround in operating results was mainly attributable to the combined effect of (i) increase in revenue by approximately HK\$6,065,000; and (ii) net increase in reversal of loss allowance for ECLs on loans to customers by approximately HK\$60,466,000.

## **PROSPECTS**

Looking forward, the challenges arising from the combined effect of the ongoing geopolitical tensions, the prolonged and complex COVID-19 pandemic situation as well as the global interest and inflation hikes will continue to bring uncertainties to the global economy including the Group's business operations. The domestic economy in the PRC will face threefold pressure from shrinking demands, supply shocks and weakening expectations.

\* *English name is for identification purpose only.*

In this regard, the PBOC pledged to use more monetary policy tools to stabilize economy and maintain a stable overall money supply. From the perspective of optimising the liquidity situation in the banking system and reducing lending costs, it is expected that the Group will face a fierce competition from inclusive finance operated by commercial banks. To maintain competitiveness in the market, the Group will continue to leverage its strengths and actively adjust its operation strategy on its short-term financing services business.

Going forward to 2022, the Group will continue to explore and seize business opportunities to broaden and diversify its income stream and further integrate its resources to improve the overall financial performance of the Group and to maximise the value for its shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group had other debts which is liability component of convertible bonds of approximately HK\$281,198,000 (2020: promissory note and liability component of convertible bonds of approximately HK\$428,255,000). The Group will try to obtain future financing, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$95,905,000 (2020: approximately HK\$139,193,000) which were mainly denominated in HK\$ and RMB. To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and external fund raising activities from the capital market.

As at 31 December 2021, the gearing ratio for the Group was approximately positive 3.7 (2020: approximately negative 20.4 due to the Group's negative equity position), calculated based on the total debts of approximately HK\$281,198,000 (2020: approximately HK\$428,255,000) over shareholder's equity of approximately positive HK\$75,002,000 (2020: approximately negative HK\$20,988,000). The debt ratio was approximately 0.72 (2020: approximately 0.94), calculated as total liabilities over total assets of the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders of the Company (the "**Shareholders**"), issue new shares or sell assets to reduce debt.

## **CAPITAL STRUCTURE**

The capital structure of the Group as at 31 December 2021 is summarised as follows:

### **(i) Bank Borrowings**

There were no bank borrowings outstanding as at 31 December 2021 (2020: Nil).

## (ii) Promissory Notes

As at 31 December 2021, the Company had no outstanding promissory note. Summary of the promissory notes is as follows:

Date of issue	Principal amount as at 1 January 2021 (HK\$)	Interest rate per annum	Principal repayment due date (Note)	Redeemed principal amount (HK\$)	Outstanding principal amount as at 31 December 2021 (HK\$)
6 February 2015	5,000,000	8%	31 March 2021	(5,000,000)	—

*Note:* On 29 January 2021, the Company and the holder of the promissory note entered into an amendment agreement, to extend the maturity date of the promissory note by 53 days from 6 February 2021 to 31 March 2021 and to carry interest at the rate of 8% per annum based on the actual number of borrowing days.

## (iii) Convertible Bonds

As at 31 December 2021, the Company had 2 series of non-interest bearing convertible bonds issued as part of the consideration of the acquisition of Prima Finance (which was struck off on 31 March 2021) and Sunny Bridge and its subsidiaries outstanding. Summary of the convertible bonds is as follows:

Date of issue	Principal amount as at 1 January 2021 (HK\$)	Maturity date	Conversion price per share (HK\$)	Amount converted into shares during the year (HK\$)	Amount redeemed during the year (HK\$)	Outstanding principal amount as at 31 December 2021 (HK\$)	Number of shares to be issued upon full conversion as at 31 December 2021
25 June 2014	288,349,000	24 June 2022	1.75	—	(188,509,000)	99,840,000	57,051,428
6 February 2015	194,000,000	5 February 2023	1.75	—	—	194,000,000	110,857,142

## FUND RAISING ACTIVITIES

### (i) **Rights Issue on the Basis of Two Rights Shares for Every One Existing Share held on Record Date on a Non-underwritten Basis**

On 3 December 2020, the Company proposed to implement the rights issue on the basis of two (2) rights shares for every one (1) existing share held on 8 February 2021, being the record date, at the subscription price of HK\$0.135 per rights share, to raise up to approximately HK\$75.9 million before expenses by issuing up to 562,552,822 rights shares, with nominal value of HK\$0.05 each, to the qualifying shareholders of the Company (the “**Rights Issue**”). The net subscription price per rights share after deducting the related expenses of the Rights Issue was approximately HK\$0.13 per share. The Rights Issue was proposed to proceed on a non-underwritten basis irrespective of the level of acceptance of the provisional allotted rights shares and the Company would make compensatory arrangements described in Rule 10.31(1) (b) of the GEM Listing Rules to dispose of the unsubscribed rights shares and the non-qualifying unsold rights shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. The Company therefore appointed a placing agent to place the unsubscribed rights shares under the Rights Issue to independent placees at a placing price not less than the subscription price of the Rights Issue (i.e. HK\$0.135 per share). The closing price of the share was HK\$0.129 per share as quoted on the Exchange on 3 December 2020, being the date of the announcement of the proposed Rights Issue.

In view of the recent economic environment and the Group’s indebtedness position, the Directors considered that the Rights Issue shall be able to strengthen the capital base, enhance the liquidity and lower the gearing ratio of the Company and give the qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company.

The Rights Issue was approved by the independent Shareholders at the special general meeting of the Company held on 26 January 2021 and subsequently became unconditional and completed as announced on 15 March 2021. As such, 131,967,283 shares and 430,585,539 shares were issued and allotted under the Rights Issue and the placing respectively.

The details of the net proceeds and the use of proceeds from the Rights Issue are set out in the section headed “Use of Proceeds” below.

Details of the Rights Issue are set out in the Company’s announcements dated 3 December 2020, 26 January 2021, 4 March 2021 and 15 March 2021, the Company’s circular dated 7 January 2021 and the Company’s prospectus dated 9 February 2021 (the “**Prospectus**”).

## (ii) **Placing of New Shares under General Mandate**

On 1 December 2021, the Company and a placing agent entered into a placing agreement pursuant to which the placing agent agreed to procure not less than six independent placees (the “**Placees**”) to subscribe for a maximum of 168,000,000 new ordinary shares of HK\$0.05 each of the Company at the placing price of HK\$0.155 per share (the “**Placing**”). The net subscription price per placing share after deducting the related expenses of the Placing was approximately HK\$0.150 per share. The Company intended to apply the net proceeds from the Placing for settlement of outstanding short-term liabilities of the Company and general working capital of the Group. The Directors considered that the Placing would reduce liabilities and finance cost of the Group and represents an opportunity to raise additional funding to strengthen the Group’s financial position and enlarge shareholders’ base of the Company which may in turn enhance the liquidity of the shares. The closing price was HK\$0.169 per share as quoted on the Exchange on 1 December 2021, being the date of the placing agreement. The new shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 25 June 2021. The 168,000,000 new shares were placed to the Placees on 20 December 2021.

The details of the net proceeds and the use of proceeds from the Placing are set out in the section headed “Use of Proceeds” below.

Details of the Placing are set out in the Company’s announcement dated 1 December 2021.

During the year ended 31 December 2021, save as disclosed above, the Group did not process any other fund raising activities.

## USE OF PROCEEDS

### (i) Rights Issue on the Basis of Two Rights Shares for Every One Existing Share held on Record Date on a Non-underwritten Basis

The actual net proceeds raised from the Rights Issue was approximately HK\$72.1 million. Up to 31 December 2021, the Group has utilised the net proceeds as follows:

	<b>Intended use of net proceeds as stated in the Prospectus HK\$'000</b>	<b>Actual use of net proceeds up to 31 December 2021 HK\$'000</b>	<b>Unutilised net proceeds up to 31 December 2021 HK\$'000</b>
Repayment of promissory note	5,400	5,400	—
Repayment of convertible bonds	35,000	35,000	—
Establishment of new business on biotechnology side and business development of the Group in the PRC	20,000	20,000	—
General working capital	11,682	11,682	—
	<u>72,082</u>	<u>72,082</u>	<u>—</u>

### (ii) Placing of New Shares under General Mandate

The actual net proceeds raised from the Placing was approximately HK\$25.2 million. Up to 31 December 2021, the Group has utilised the net proceeds as follows:

	<b>Intended use of net proceeds HK\$'000</b>	<b>Actual use of net proceeds up to 31 December 2021 HK\$'000</b>	<b>Unutilised net proceeds up to 31 December 2021 HK\$'000</b>
Settlement of outstanding short-term liabilities of the Company	25,000	17,000	8,000
General working capital	213	—	213
	<u>25,213</u>	<u>17,000</u>	<u>8,213</u>

Up to the date of this announcement, the Group has utilised the net proceeds as follows:

	<b>Intended use of net proceeds HK\$'000</b>	<b>Actual use of net proceeds up to the date of this announcement HK\$'000</b>	<b>Unutilised net proceeds up to the date of this announcement HK\$'000</b>
Settlement of outstanding short-term liabilities of the Company	25,000	25,000	—
General working capital	213	213	—
	<u>25,213</u>	<u>25,213</u>	<u>—</u>

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

(i) **Equity investment — 渤海信託•2020普誠66號集合資金信託計劃 (Bohai Trust • 2020 Pucheng No. 66 Collective Fund Trust\*) (the “Trust Fund”)**

On 28 September 2020, (i) Lhasa Jiade, an indirect wholly-owned subsidiary of the Company, as an applicant subscribed for 10 million secondary units of the Trust Fund established by Bohai International Trust Co., Ltd. as the trustee (the “**Trustee**”), in an amount of RMB10 million (equivalent to approximately HK\$11.4 million) (the “**Subscription**”); and (ii) 北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited\*, “**Beijing Wanchi**”), an indirect wholly-owned subsidiary of the Company, as manager and the Trustee entered into a management service agreement to appoint Beijing Wanchi as a manager of the Trust Fund (the “**Management Service**”).

As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) of the Subscription exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

Details of the abovementioned Subscription and Management Service are set out in the Company’s announcements dated 28 September 2020 and 5 February 2021.

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The purpose of the Trust Fund is to, among others, provide loans with property pledge as securities to individual borrowers in Beijing for production and operating activities. During the year ended 31 December 2021, the Trust Fund has early redeemed partial capital of approximately RMB9.9 million (equivalent to approximately HK\$12.0 million) from the Group and no capital gain was received from the Trust Fund in respect of capital contribution.

On 31 December 2021, the Trust Fund was derecognised as a result of disposal of Lhasa Jiade.

**(ii) Disposal of Entire Equity Interest of Lhasa Jiade Financial Consultant Company Limited**

On 31 December 2021, Beijing Wanchi, an indirect wholly-owned subsidiary of the Company, as vendor and 北京首御投資有限公司 (Beijing Shouyu Investment Company Limited\*), an independent third party of the Company, as purchaser have entered into an equity transfer agreement, pursuant to which Beijing Wanchi has conditionally agreed to dispose of entire equity interest of Lhasa Jiade at a consideration of RMB8 million (equivalent to HK\$9.8 million). The disposal was completed on 31 December 2021.

As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the disposal are less than 5%, the disposal is exempt from the reporting, announcement and shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

During the year ended 31 December 2021, save as disclosed above, the Group did not process any other significant investment, acquisition or disposal of subsidiaries or associated companies.

**FURTHER PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in this announcement, the Group currently does not have any firm intention or specific plans for material investments or capital assets.

**CHARGE OF GROUP ASSETS**

As at 31 December 2021, the Group did not have any assets under charge (2020: Nil).

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## **FOREIGN EXCHANGE EXPOSURE**

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2021, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currency, i.e. RMB, used by the respective group entities.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2021, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 31 December 2021, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any material contingent liability (2020: Nil).

## **EMPLOYEE INFORMATION AND REMUNERATION POLICY**

As at 31 December 2021, the Group employed a total of 66 employees (2020: 68 employees). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to our employees. Staff costs, excluding Directors' emoluments, for the year ended 31 December 2021 amounted to approximately HK\$17,480,000 (2020: approximately HK\$15,062,000).

The Company adopted the share option scheme where options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the share option scheme during the year ended 31 December 2021.

## EVENTS AFTER REPORTING PERIOD

### (i) Disposal of 7% Equity Interest in Shenyang Hulian Micro-financing Company Limited

On 23 December 2021, Beijing Wanchi, an indirect wholly-owned subsidiary of the Company, as vendor and Ms. Wang Huihui, an independent third party of the Company, as purchaser have entered into an equity transfer agreement, pursuant to which Beijing Wanchi has conditionally agreed to dispose of 7% of the registered capital of 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited\*) at a consideration of RMB7 million (equivalent to HK\$8.6 million). The disposal was subsequently completed on 21 February 2022.

As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the disposal are less than 5%, the disposal is exempt from the reporting, announcement and shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

### (ii) Early Redemption of Convertible Bonds

On 6 January 2022, the Company and a holder of 2023 convertible bonds entered into redemption agreements, to early redeem the zero-coupon convertible bonds with aggregate principal amount of HK\$8,600,000 by cash settlement of HK\$8,000,000. Upon the redemption, the remaining outstanding principal of 2023 convertible bonds is HK\$185,400,000.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

\* *English name is for identification purpose only*

## **CORPORATE GOVERNANCE**

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

On 1 January 2022, the amendments to the Corporate Governance Code (the “**New CG Code**”) came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

Throughout the year ended 31 December 2021, the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) of the GEM Listing Rules with the exception of the following deviations:

### **CODE PROVISION A.2.1**

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei was appointed as the Chairman and the CEO on 1 December 2015. Given the size and that the Company's and the Group's current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). 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 year ended 31 December 2021.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group and recommended to the Board for approval. The audit committee has also considered selected accounting, internal control, risk management and financial reporting matters of the Group, in conjunction with the external auditor (if appropriate) of the Company.

## **SCOPE OF WORK OF MAZARS CPA LIMITED**

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited in this announcement.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this announcement, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the year ended 31 December 2021.

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

Hong Kong, 21 March 2022

*As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Ms. Li Wei; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Lee Zak Yuen and Mr. Chan Ngai Fan.*

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