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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

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

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

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

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*This 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 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.*

The board of Directors (the “**Board**”) of 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 months ended 31 March 2022 (the “**Period**”) together with the unaudited comparative figures for the corresponding period in 2021, as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2022

	<i>Notes</i>	Three months ended 31 March	
		2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	4	8,007	9,158
Other income and other gains and losses, net	4	699	1,123
Administrative and other expenses		(8,714)	(9,112)
Charge of loss allowance for expected credit losses (“ECLs”) on loans to customers		(11,228)	(3,135)
Fair value loss on financial assets at fair value through profit or loss (“FVTPL”)	5	(8,557)	–
Share of loss of a joint venture		(77)	–
Finance costs	6	(7,217)	(11,101)
Loss before income tax	7	(27,087)	(13,067)
Income tax credits/(expenses)	8	1,814	(200)
Loss for the period		<u>(25,273)</u>	<u>(13,267)</u>
Attributable to:			
Owners of the Company		(25,593)	(13,724)
Non-controlling interests		320	457
		<u>(25,273)</u>	<u>(13,267)</u>
Loss per share attributable to owners of the Company	10		
Basic and diluted (Hong Kong cents)		<u>(2.53)</u>	<u>(3.59)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(25,273)	(13,267)
Other comprehensive income/(expense) for the period, net of tax:		
<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	41	–
Exchange differences on translation of financial statements of foreign operations	2,517	(140)
	<u>2,558</u>	<u>(140)</u>
Other comprehensive income/(expense) for the period, net of tax	<u>2,558</u>	<u>(140)</u>
Total comprehensive expense for the period	<u>(22,715)</u>	<u>(13,407)</u>
Attributable to:		
Owners of the Company	(23,351)	(13,836)
Non-controlling interests	636	429
	<u>(22,715)</u>	<u>(13,407)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2022

	Reserves										Total equity	
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	FVTOCI reserve	Statutory reserve	Accumulated losses	Equity attributable to owners of the Company		Non-controlling interests
	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 2022 (Audited)	50,591	686,153	131,109	286,887	(46,855)	6,047	106	25,885	(1,064,921)	75,002	42,862	117,864
Loss for the period	-	-	-	-	-	-	-	-	(25,593)	(25,593)	320	(25,273)
Other comprehensive income												
<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	-	-	-	-	41	-	-	-	-	41	-	41
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	2,201	-	-	-	-	2,201	316	2,517
Other comprehensive income for the period	-	-	-	-	2,242	-	-	-	-	2,242	316	2,558
Total comprehensive expense for the period	-	-	-	-	2,242	-	-	-	(25,593)	(23,351)	636	(22,715)
Transfer upon disposal of equity investment at fair value through other comprehensive income ("FVTOCI")	-	-	-	-	-	-	(106)	-	106	-	-	-
Transactions with owners												
Redemption of 2023 CB (As defined in Annual Report 2021) by cash	-	-	-	-	-	(193)	-	-	(52)	(245)	-	(245)
Transactions with owners	-	-	-	-	-	(193)	-	-	(52)	(245)	-	(245)
As at 31 March 2022 (Unaudited)	50,591	686,153	131,109	286,887	(44,613)	5,854	-	25,885	(1,090,460)	51,406	43,498	94,904

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the three months ended 31 March 2021

	Reserves									Equity attributable to owners of the Company	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 2021 (Audited)	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 period	-	-	-	-	-	-	-	-	(13,724)	(13,724)	457	(13,267)
Other comprehensive expense												
<i>Item that may be reclassified subsequently to profit or loss:</i>												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(112)	-	-	-	-	(112)	(28)	(140)
Other comprehensive expense for the period	-	-	-	-	(112)	-	-	-	-	(112)	(28)	(140)
Total comprehensive expense for the period	-	-	-	-	(112)	-	-	-	(13,724)	(13,836)	429	(13,407)
Transactions with owners												
Issue of shares under rights issue	28,127	43,955	-	-	-	-	-	-	-	72,082	-	72,082
Deemed capital contribution arising from liability portion of convertible bonds	-	-	-	648	-	-	-	-	-	648	-	648
Redemption of 2022 CB (As defined in Annual Report 2021) by cash	-	-	-	-	-	(1,053)	-	-	(210)	(1,263)	-	(1,263)
Transactions with owners	28,127	43,955	-	648	-	(1,053)	-	-	(210)	71,467	-	71,467
As at 31 March 2021 (Unaudited)	42,191	669,340	131,109	283,533	(61,744)	8,229	(2,831)	26,838	(1,060,022)	36,643	47,436	84,079

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

1. GENERAL 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, 26/F., Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

During the Period, 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 (the "**First Quarterly Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622, Laws of Hong Kong) and Chapter 18 of the GEM Listing Rules.

The First Quarterly Financial Statements have been prepared under the historical cost basis except for investment properties and certain financial instruments which were stated at fair value. The First Quarterly 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.

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). They shall be read in conjunction with the Group's audited financial statements for the year ended 31 December 2021 (the "**Annual Report**").

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

The First Quarterly Financial Statements have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee (the "**Audit Committee**").

2.2 Principal accounting policies

The First Quarterly Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Annual Report, except for the adoption of the standards, amendments and interpretation issued by the HKICPA that are first effective for the current accounting periods beginning on 1 January 2022.

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 First Quarterly Financial Statements, the Group has not early adopted any new/revised HKFRSs that are not yet effective for the current period. The Directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but not yet in a position to reasonably estimate their impact on the Group's First Quarterly Financial Statements.

3. SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. 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.

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.

All the Group's revenue are derived from the PRC during the three months ended 31 March 2022 and 31 March 2021, being the single geographical region.

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

	Three months ended 31 March	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue		
Revenue from other sources		
Interest income from loans to customers	8,007	9,045
Settlement gain from distressed debt assets classified in loans to customers	—	113
	<u>8,007</u>	<u>9,158</u>
Short-term financing services income	<u>8,007</u>	<u>9,158</u>
Other income and other gains and losses, net		
Foreign exchange gain/(loss), net	62	(5)
Bank interest income	316	466
Rental income from investment properties	—	7
Settlement gain on early redemption of convertible bonds (<i>Note</i>)	303	126
Sundry income	18	529
	<u>699</u>	<u>1,123</u>

Note: On 25 March 2021, the Company and the holder of 2022 CB, which is an independent third party of the Company, entered into redemption agreement to early redeem the zero-coupon convertible bonds with principal amount of HK\$10,000,000 by cash settlement of HK\$9,300,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of 2022 CB at initial recognition. At the date of redemption, a settlement gain on early redemption, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK\$126,000 and the redemption prices allocated to the equity component of approximately HK\$206,000, were recognised in profit or loss and equity respectively. Upon the redemption of 2022 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2022 CB of approximately HK\$34,000 was transferred to accumulated losses.

On 6 January 2022, the Company and the holder of 2023 CB, which is an independent third party of the Company, entered into redemption agreement to early redeem the zero-coupon convertible bonds with principal amount of HK\$8,600,000 by cash settlement of HK\$8,000,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of 2023 CB at initial recognition. At the date of redemption, a settlement gain on early redemption, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK\$303,000 and the redemption prices allocated to the equity component of approximately HK\$245,000, were recognised in profit or loss and equity respectively. Upon the redemption of 2023 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2023 CB of approximately HK\$52,000 was transferred to accumulated losses.

5. FAIR VALUE LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair value loss on financial assets at FVTPL represents the change in fair value of the investment in the listed equity securities in the Main Board of the Exchange based on closing price in an active market.

6. FINANCE COSTS

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest expenses on		
– Convertible bonds	7,163	10,941
– Promissory notes	–	109
– Lease liabilities	54	51
	<u>7,217</u>	<u>11,101</u>

7. LOSS BEFORE INCOME TAX

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

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff Costs (excluding directors' emoluments)		
Salaries, allowance and other benefits	3,700	3,537
Pension scheme contributions	575	418
Depreciation of property, plant and equipment	112	142
Depreciation of right-of-use assets	416	442
Short-term or low value lease payments	449	437
	<u>449</u>	<u>437</u>

8. INCOME TAX (CREDITS)/EXPENSES

The amount of income tax (credits)/expenses in the unaudited condensed consolidated income statements represents:

	Three months ended 31 March	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current income tax		
The PRC		
Current tax charge for the period	993	981
Under-provision in respect of prior periods	—	3
	993	984
Deferred tax credited	(2,807)	(784)
Income tax (credits)/expenses	(1,814)	200

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 are domiciled and operated.

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

For the Period, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong (2021: Nil).

The subsidiaries of the Group established in the PRC, save for below, are subject to enterprise income tax (“EIT”) of the PRC at 25% (2021: 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*), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the three months ended 31 March 2021. 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 period ended 31 March 2022 and 2021 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 Period, 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% (2021: 10%).

* English name is for identification purpose only

9. DIVIDEND

The Directors do not recommend for payment of a dividend for the Period (2021: Nil).

10. LOSS PER SHARE

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

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

For the three months ended 31 March 2022, as the Company's outstanding convertible bonds had an anti-dilutive (2021: anti-dilutive) effect to the basic loss per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore, the basic and diluted loss per share for the three months ended 31 March 2022 are equal (2021: equal).

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

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to the owners of the Company, used in basic loss per share calculation	(25,593)	(13,724)
Adjustment of loss attributable to the owners of the Company: Interest saving of the convertible bonds	—*	—*
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	<u>(25,593)</u>	<u>(13,724)</u>

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

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	'000	'000
Share		
Weighted average number of ordinary shares for basic loss per share calculation (<i>Note</i>)	1,011,829	382,067
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	_*	_*
Weighted average number of ordinary shares for diluted loss per share calculation (<i>Note</i>)	<u>1,011,829</u>	<u>382,067</u>

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

Note: The weighted average number of ordinary shares of 382,067,125 for the three months ended 31 March 2021 is derived from 281,276,411 in issue as at 1 January 2021 after taking into account the effects of the rights issue became unconditional and completed as announced on 15 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the Period, the Group is principally engaged in short-term financing services in the PRC and Hong Kong.

The Group recorded total revenue for the Period of approximately HK\$8,007,000 (2021: approximately HK\$9,158,000), representing a decrease of approximately HK\$1,151,000 as compared with corresponding period last year. The decrease was mainly attributable to the decrease in interest income from loans to customers during the Period.

The administrative and other expenses for the Period decreased by approximately HK\$398,000 to approximately HK\$8,714,000 (2021: approximately HK\$9,112,000).

The Group recorded a fair value loss on financial assets at FVTPL for the Period of approximately HK\$8,557,000 (2021: N/A), representing an unrealised loss recognised from the listed equity investment.

The Group recorded charge of loss allowance for ECLs on loans to customers for the Period of approximately HK\$11,228,000 (2021: approximately HK\$3,135,000), representing an increase of approximately HK\$8,093,000 as compared with corresponding period of 2021. The significant charge of loss allowance for ECLs for the Period was mainly due to the resurgence of COVID-19 pandemic since early 2022 which has brought an adverse impact on the financial condition of certain customers of the Group, resulting in a deterioration of the customers' aging.

The loss attributable to the owners of the Company for the Period was approximately HK\$25,593,000 (2021: approximately HK\$13,724,000). The increase in loss was mainly attributable to the effect of increase in charge of loss allowance for ECLs on loans to customers and fair value loss on financial assets at FVTPL as mentioned above.

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. In this regard, the People's Bank of China 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.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Period, the Group did not have any 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.

USE OF PROCEEDS

Placing of New Shares under General Mandate

The actual net proceeds raised from the placing of 168,000,000 ordinary shares of the Company under general mandate on 1 December 2021 was approximately HK\$25.2 million. Up to 31 March 2022, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds <i>HK\$'000</i>	Actual use of net proceeds up to 31 March 2022 <i>HK\$'000</i>	Unutilised net proceeds up to the date of this announcement <i>HK\$'000</i>
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>

EVENT AFTER REPORTING PERIOD

Proposed Increase in Authorised Share Capital; and Connected Transaction in relation to Proposed Issue of Convertible Bonds under Specific Mandate

On 4 April 2022, the Company entered into the conditional subscription agreements with the respective subscribers, pursuant to which each of the subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the zero coupon convertible bonds due on 24 December 2023 in the aggregate principal amount of HK\$99,840,000 (the “**2022 Convertible Bonds**”) under relevant subscription agreements (the “**2022 CB Subscription Agreements**”) and the zero coupon convertible bonds due on 5 August 2024 in the aggregate principal amount of HK\$185,400,000 (the “**2023 Convertible Bonds**”) under relevant subscription agreements (the “**2023 CB Subscription Agreements**”).

On the assumption that the 2022 Convertible Bonds would be converted into conversion shares in full at the initial conversion price of HK\$0.05 per conversion share (subject to adjustments), 1,996,800,000 conversion shares will be issued, representing (1) approximately 197.35% of the existing issued share capital of the Company, (2) approximately 66.37% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares upon full conversion of the 2022 Convertible Bonds (assuming that no conversion shares to be allotted and issued under the 2023 Convertible Bonds), and (3) approximately 29.73% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares upon full conversion of the 2022 Convertible Bonds and the 2023 Convertible Bonds. The aggregate subscription amounts of HK\$99,840,000 for the 2022 Convertible Bonds will be set off by the respective outstanding principal amounts of the 2014 Convertible Bonds (as defined in the Company’s announcement dated 4 April 2022) held by the relevant subscribers respectively which shall fall due on 24 June 2022.

On the assumption that the 2023 Convertible Bonds would be converted into conversion shares in full at the initial conversion price of HK\$0.05 per conversion share (subject to adjustments), 3,708,000,000 conversion shares will be issued, representing (1) approximately 366.47% of the existing issued share capital of the Company, (2) approximately 78.56% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares upon full conversion of the 2023 Convertible Bonds (assuming that no conversion shares to be allotted and issued under the 2022 Convertible Bonds), and (3) approximately 55.21% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares upon full conversion of the 2022 Convertible Bonds and the 2023 Convertible Bonds. The aggregate subscription amounts of HK\$185,400,000 for the 2023 Convertible Bonds will be set off by the respective outstanding principal amounts of the 2015 Convertible Bonds (as defined in the Company’s announcement dated 4 April 2022) held by the relevant subscribers respectively which shall fall due on 5 February 2023.

In order to accommodate the growth of the Group and to provide the Company with greater flexibility for the issue of the conversion shares under the 2022 Convertible Bonds and the 2023 Convertible Bonds and other possible fund-raising activities in the future as and when necessary, the Board proposed to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 shares to HK\$1,000,000,000 divided into 20,000,000,000 shares by the creation of an additional 18,000,000,000 shares. Subject to the passing of an ordinary resolution by the shareholders of the Company at the special general meeting to approve the increase in authorised share capital, the increase in authorised share capital will become effective on the date of the special general meeting.

The independent board committee (the “**Independent Board Committee**”) comprising all the independent non-executive Directors had been established and an independent financial adviser, Giraffe Capital Limited, had been appointed to advise the Independent Board Committee and the independent shareholders in this regard.

A circular containing, among others, (i) the increase in authorised share capital; (ii) details of the subscription agreements and the 2022 Convertible Bonds and the 2023 Convertible Bonds; (iii) other information required under the GEM Listing Rules; (iv) a letter of advice from Giraffe Capital Limited; (v) recommendation of the Independent Board Committee; and (vi) a notice convening the special general meeting, shall be despatched to the shareholders of the Company on or before 31 May 2022.

For details, please refer to the announcements of the Company dated 4 April 2022, 29 April 2022 and 3 May 2022.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “SFO”)) which (i) were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions in the Shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Zhang Wei	Beneficial owner	127,377,920	12.59
Ms. Li Wei	Beneficial owner	72,652,800	7.18

Save for disclosed above, as at 31 March 2022, none of the Directors nor the 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 Exchange pursuant to the code of conduct for securities transactions by the Directors (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 31 March 2022, the following companies and persons had interests in more than 5% of the Company's issued shares:

Long Positions in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share of the Company (Note 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	102,285,714	–	102,285,714	10.10
Mr. Dai Di (Note 1)	–	102,285,714	102,285,714	10.10
Bustling Capital Limited (Note 2)	65,331,428	–	65,331,428	6.45
Ms. Jin Yu (Note 2)	–	65,331,428	65,331,428	6.45
Mr. Dai Hao (Notes 2 and 3)	–	65,331,428	65,331,428	6.45
Ms. Yip Sze Pui Fione (Note 4)	155,330,000	–	155,330,000	15.35
Mr. Hui Kwan Wah Hugo (Note 4)	155,330,000	–	155,330,000	15.35

Notes:

- The 102,285,714 shares held by Exuberant Global Limited (“**Exuberant Global**”) represent 102,285,714 shares to be issued upon full conversion of the convertible bonds. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 102,285,714 shares held by Exuberant Global.
- The 65,331,428 shares held by Bustling Capital Limited (“**Bustling Capital**”) represent (i) 10,000,000 shares and (ii) 55,331,428 shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 65,331,428 shares. (i.e. the Company had partially redeemed the convertible bonds on 31 December 2021. Therefore, 3,994,286 shares out of the aforesaid 55,331,428 shares to be issued upon conversion of convertible bonds had been extinguished.)
- In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 65,331,428 shares held by Bustling Capital.
- The 155,330,000 shares are jointly held by Ms. Yip Sze Pui Fione and Mr. Hui Kwan Wah Hugo.
- The percentage represents the number of shares interested divided by the number of the issued shares as at 31 March 2022 (i.e. 1,011,829,233 shares).

Save as disclosed above, the Directors are not aware of any person who, as at 31 March 2022, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

INTERESTS IN A COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code on terms no less exacting than the Rules 5.48 to 5.67 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, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

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

Hong Kong, 13 May 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>.