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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)

INSIDE INFORMATION EXPECTED IMPROVEMENT IN LOSS POSITION

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

The board (the “**Board**”) of the directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that, based on the information currently available to the Company and preliminary review of the unaudited consolidated management accounts of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 (the “**Year**”), the Group is expected to record a decrease in loss attributable to owners of the Company for the Year by approximately 60% as compared to the loss attributable to owners of the Company of approximately HK\$19.0 million for the year ended 31 December 2021.

The Board considers that the expected decrease in loss was mainly attributable to a combination of following factors:

1. an increase in other income and other gains and losses for the Year by approximately HK\$6.1 million as compared to that for the year ended 31 December 2021;
2. a charge of loss allowance for expected credit losses (“**ECLs**”) on loans to customers (net of corresponding deferred tax impacts) of approximately HK\$4.9 million was recorded for the Year while a reversal of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts) of approximately HK\$18.4 million was recorded for the year ended 31 December 2021;

3. a fair value loss on financial assets at fair value through profit or loss of approximately HK\$8.6 million was recorded for the Year due to an unrealized loss recognized from the listed equity investment while a fair value gain on financial assets at fair value through profit or loss of approximately HK\$5.7 million was recorded for the year ended 31 December 2021;
4. there was a one-off gain on extinguishment of bond payables and liability component of convertible bonds in the amount of approximately HK\$26.9 million recorded for the Year whereas no such gain was recognised for the year ended 31 December 2021; and
5. a decrease in finance costs for the Year by approximately HK\$13.9 million as compared to that for the year ended 31 December 2021 as a result of partial redemptions of convertible bonds made by the Group during the year ended 31 December 2021 and the Year.

As the Company is still in the process of finalising the annual results of the Group for the Year, the information contained in this announcement is only based on the Company's preliminary assessment of the unaudited consolidated management accounts of the Group and information currently available to the Group. The annual results of the Group for the Year are not yet finalised nor reviewed by the audit committee and the auditor of the Company. Further details of the Group's financial information for the Year will be disclosed in the annual results announcement, which is expected to be published on or around 21 March 2023.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 10 March 2023

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

This announcement will remain on the "Latest Listed Company Information" page of the website of the Exchange at <http://www.hkexnews.hk> for at least 7 days from the date of its posting and on the Company's website at <http://www.capitalfinance.hk>.