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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 2023

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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 2023 (the “**Period**”) together with the unaudited comparative figures for the corresponding period in 2022, as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	4	6,954	8,007
Other income and other gains and losses, net	4	81	699
Administrative and other expenses		(6,467)	(8,714)
Reversal/(Charge) of loss allowance for expected credit losses (“ ECLs ”) on loans to customers		5,095	(11,228)
Fair value loss on financial assets at fair value through profit or loss (“ FVTPL ”)	5	(122)	(8,557)
Share of loss of a joint venture		–	(77)
Finance costs	6	(4,423)	(7,217)
Profit/(Loss) before income tax	7	1,118	(27,087)
Income tax (expenses)/credits	8	(2,468)	1,814
Loss for the period		(1,350)	(25,273)
Attributable to:			
Owners of the Company		(2,067)	(25,593)
Non-controlling interests		717	320
		(1,350)	(25,273)
			(Restated)
Loss per share attributable to owners of the Company	10		
Basic and diluted (Hong Kong cents)		(3.37)	(50.59)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(1,350)</u>	<u>(25,273)</u>
Other comprehensive income 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	8	41
Exchange differences on translation of financial statements of foreign operations	<u>2,499</u>	<u>2,517</u>
Other comprehensive income for the period, net of tax	<u>2,507</u>	<u>2,558</u>
Total comprehensive income/(expense) for the period	<u>1,157</u>	<u>(22,715)</u>
Attributable to:		
Owners of the Company	43	(23,351)
Non-controlling interests	<u>1,114</u>	<u>636</u>
	<u>1,157</u>	<u>(22,715)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2023

	Reserves							Equity attributable to owners of the Company	Non- controlling interests	Total equity	
	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	Statutory reserve HK\$'000				Accumulated losses HK\$'000
As at 1 January 2023 (Audited)	<u>58,091</u>	<u>686,772</u>	<u>131,109</u>	<u>304,635</u>	<u>(69,423)</u>	<u>22,093</u>	<u>22,931</u>	<u>(1,095,958)</u>	<u>60,250</u>	<u>41,065</u>	<u>101,315</u>
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,067)</u>	<u>(2,067)</u>	<u>717</u>	<u>(1,350)</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>8</u>
– financial statements of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,102</u>	<u>397</u>	<u>2,499</u>
Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,110</u>	<u>397</u>	<u>2,507</u>
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,110</u>	<u>-</u>	<u>-</u>	<u>(2,067)</u>	<u>43</u>	<u>1,114</u>	<u>1,157</u>
Transactions with owners											
Conversion of New 2022 CB (As defined in Annual Report 2022)	<u>5,000</u>	<u>466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(683)</u>	<u>-</u>	<u>-</u>	<u>4,783</u>	<u>-</u>	<u>4,783</u>
Capital Reduction (As defined in Annual Report 2022)	<u>(62,460)</u>	<u>-</u>	<u>62,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transactions with owners	<u>(57,460)</u>	<u>466</u>	<u>62,460</u>	<u>-</u>	<u>-</u>	<u>(683)</u>	<u>-</u>	<u>-</u>	<u>4,783</u>	<u>-</u>	<u>4,783</u>
As at 31 March 2023 (Unaudited)	<u><u>631</u></u>	<u><u>687,238</u></u>	<u><u>193,569</u></u>	<u><u>304,635</u></u>	<u><u>(67,313)</u></u>	<u><u>21,410</u></u>	<u><u>22,931</u></u>	<u><u>(1,098,025)</u></u>	<u><u>65,076</u></u>	<u><u>42,179</u></u>	<u><u>107,255</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the three months ended 31 March 2022

	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 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
– 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 2022) 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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

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 2023 (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 2022, 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 2022 (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 2023.

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 2023 and 31 March 2022, being the single geographical region.

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

	Three months ended 31 March	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue		
Revenue from other sources		
Short-term financing services income		
– Interest income from loans to customers	<u>6,954</u>	<u>8,007</u>
Other income and other gains and losses, net		
Foreign exchange gain, net	75	62
Bank interest income	270	316
Gain on disposal of property, plant and equipment	50	–
Loss on disposal of an investment property	(325)	–
Settlement gain on early redemption of convertible bonds (<i>Note</i>)	–	303
Sundry income	<u>11</u>	<u>18</u>
	<u>81</u>	<u>699</u>

Note: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest expenses on		
– Convertible bonds	4,379	7,163
– Lease liabilities	44	54
	<u>4,423</u>	<u>7,217</u>

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff Costs (excluding directors' emoluments)		
Salaries, allowance and other benefits	2,793	3,700
Pension scheme contributions	347	575
Depreciation of property, plant and equipment	94	112
Depreciation of right-of-use assets	372	416
Short-term or low value lease payments	209	449

8. INCOME TAX EXPENSES/(CREDITS)

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

	Three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
The PRC		
Current tax charge for the period	1,194	993
Deferred tax charged/(credited)	<u>1,274</u>	<u>(2,807)</u>
Income tax expenses/(credits)	<u><u>2,468</u></u>	<u><u>(1,814)</u></u>

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 (2022: 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% (2022: 25%).

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 periods ended 31 March 2023 and 2022 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% (2022: 12.5%) 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 25% (2022: 25%) 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% (2022: 10%).

9. DIVIDEND

The Directors do not recommend for payment of a dividend for the Period (2022: 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 2023, as the Company's outstanding convertible bonds had an anti-dilutive (2022: 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 2023 are equal (2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to the owners of the Company, used in basic loss per share calculation	(2,067)	(25,593)
Adjustment of loss attributable to the owners of the Company: Interest saving of the convertible bonds	<u>—*</u>	<u>—*</u>
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	<u>(2,067)</u>	<u>(25,593)</u>

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

	Three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	'000	'000
		(Restated)
Share		
Weighted average number of ordinary shares for basic loss per share calculation (<i>Notes a and b</i>)	61,425	50,591
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	—*	—*
Weighted average number of ordinary shares for diluted loss per share calculation (<i>Notes a and b</i>)	<u>61,425</u>	<u>50,591</u>

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

Notes:

- (a) The weighted average number of ordinary shares of 61,424,795 for the three months ended 31 March 2023 is derived from 1,161,829,233 in issue as at 1 January 2023, after taking into account the effects of the (i) conversion of New 2022 CB into 100,000,000 new ordinary shares of the Company; and (ii) the Share Consolidation under Capital Reorganisation (as defined in Annual Report 2022) with effect on 23 February 2023.
- (b) the weighted average number of ordinary shares of 50,591,461 (restated) for the three months ended 31 March 2022 is derived from 1,011,829,233 in issue as at 1 January 2022, after taking into account the effect of the Share Consolidation under Capital Reorganisation with effect on 23 February 2023, and assuming the Capital Reorganisation had been completed on 1 January 2022.

11. EVENTS AFTER THE REPORTING PERIOD

- (a) On 13 April 2023, part of the New 2022 CB at a conversion price of HK\$1 per share with principal amount of HK\$5,000,000 had been converted into 5,000,000 new ordinary shares of the Company.
- (b) The Company and Ruibang Securities Limited (the “**Placing Agent**”) entered into a placing agreement on 5 May 2023, pursuant to which the Placing Agent agreed, to procure on a best effort basis not less than six places to subscribe for up to 10,110,000 new ordinary shares (the “**Placing Shares**”) at a price of HK\$0.42 each. The Placing Shares rank pari passu in all respect with the then existing shares of the Company. Details of the placing of new shares were set out in the Company’s announcements dated 5 May 2023 and 11 May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

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

The Group recorded total revenue for the Period of approximately HK\$6,954,000 (2022: approximately HK\$8,007,000), representing a decrease of approximately HK\$1,053,000 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\$2,247,000 to approximately HK\$6,467,000 (2022: approximately HK\$8,714,000).

The Group recorded a fair value loss on financial assets at FVTPL for the Period of approximately HK\$122,000 (2022: approximately HK\$8,557,000), representing a decrease in unrealised loss recognised from the listed equity investments of approximately HK\$8,435,000 as compared with corresponding period of 2022.

The Group recorded reversal of loss allowance for ECLs on loans to customers for the Period of approximately HK\$5,095,000 (2022: charge of loss allowance for ECLs of approximately HK\$11,228,000), representing a decrease in charge of loss allowance of approximately HK\$16,323,000 as compared with corresponding period of 2022. The turnaround was mainly due to improvement of customers' ageing in view of the fact that the adverse impact of the COVID-19 pandemic has gradually waned in 2023 following China's relaxation of the COVID-19 restrictions since December 2022.

The loss attributable to the owners of the Company for the Period was approximately HK\$2,067,000 (2022: approximately HK\$25,593,000). The decrease in loss was mainly attributable to the effect of decrease 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 ahead, it is expected that the global economic environment remains challenging and uncertain due to persistent inflation and ongoing geopolitical tensions. It is also expected that the domestic economy in China will continue to face challenges related to political tensions between China and the U.S. Nevertheless, the economic environment in Mainland China has shown signs of improvement following the nationwide loosening restriction of COVID-19 control measures and the reopening of all borders in early January 2023. We anticipate that this will have a positive impact on our business for the current year.

In light of these developments, we remain committed to maintaining our competitiveness in the market and pursuing opportunities for long-term business and profitability growth. We understand that any unforeseen changes could potentially undermine any single and inflexible business line's prospects. Therefore, we will continue to adopt quick and flexible marketing strategies to stay ahead of the competition in our short-term financing business and explore new business opportunities to broaden and diversify our income streams. To optimize the utilization of resources and improve the overall financial performance of the Group, we will continue to explore and seize business opportunities to broaden and diversify our income stream while also streamlining operations and reducing costs where possible.

As always, we remain vigilant and adaptable in the face of ongoing economic and geopolitical challenges. By staying true to our core values and mission as a company and remaining focused on our long-term goals, we are confident that we can position our business for success in the years to come.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 27 March 2023, 北京市金壽典當有限責任公司 (Beijing City Jinshou Pawning Company Limited*) (“**Beijing Jinshou**” or “**Vendor**”), an indirect wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement with Ms. Shen Xu (沈旭) (the “**Purchaser**”), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the property for a total consideration of RMB2,050,000 (equivalent to approximately HK\$2,343,000) (the “**Disposal**”).

The property is a residential premise situated at Unit 501, Block 3, Building No. 43, Yanhu Estate, Miyun District, Beijing, the PRC, with a total building area of approximately 130.05 square meters. The property is currently vacant and held by the Vendor for investment purpose.

The fair value of the property as shown in the audited consolidated financial statements of the Company as at 31 December 2022 was RMB2,320,000 (equivalent to approximately HK\$2,625,000). Subject to review and confirmation by the auditors, the Group expected to record a loss of approximately HK\$325,000 from the Disposal, which was calculated on the basis of the consideration less the carrying value of the property of approximately HK\$2,652,000 and other related costs and expenses. The Group intended to use the proceeds of the Disposal for general working capital.

For details, please refer to the announcements of the Company dated 27 March 2023 and 31 March 2023. During the Period, save as disclosed above, 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.

* *English name is for identification purposes only*

CAPITAL REORGANISATION

On 19 December 2022, the Board proposes to implement the capital reorganisation involving:

- (i) the share consolidation whereby every twenty (20) existing shares will be consolidated into one (1) consolidated share;
- (ii) the capital reduction whereby the issued share capital of the Company will be reduced by cancelling paid up capital of the Company to the extent of HK\$0.99 on each of the then consolidated shares such that the par value of each issued consolidated share will be reduced from HK\$1.0 to HK\$0.01;
- (iii) the sub-division whereby each authorized but unissued consolidated share of HK\$1.0 (including the unissued shares arising from the capital reduction) will be sub-divided into 100 new shares of HK\$0.01 each; and
- (iv) the transfer of all the credits arising from the capital reduction to the contributed surplus account of the Company.

The closing prices of the existing shares have been trading at below the par value of HK\$0.05 per existing share for a certain period and according to the Bermuda law, the Company may not issue shares at a discount to their par value and potential investors in general would be unwilling to subscribe for shares and pay a premium over the market prices for the shares. As such, the capital reorganisation, which will reduce the par value per share, would provide greater flexibility for the Company to carry out fund raising exercises in the future.

Furthermore, the credit in the contributed surplus account arising from the capital reorganisation is applied to set off its accumulated losses. Save that no fractional new shares (with par value of HK\$0.01 each) will be allocated to shareholders of the Company (the “**Shareholder(s)**”) and the relevant expenses including but not limited to professional fees and printing charges) to be incurred in relation to the capital reorganisation, it will not have material effect on the Group’s consolidated net asset value, and it will not alter the underlying assets, business operations, management or financial position of the Company nor the proportionate interests or rights of the Shareholders.

Based on the reasons above, the Board considers that the capital reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The capital reorganisation was passed and approved as the special resolution by the Shareholders at a special general meeting held on 21 February 2023. Accordingly, the capital reorganisation has become effective from 23 February 2023. As a result, the Company has 63,091,461 consolidated shares in issue and the authorised share capital of the Company remains at HK\$1,000,000,000, which is divided into 100,000,000,000 ordinary shares. Also, pursuant to the terms of the instrument of the outstanding zero-coupon convertible bonds due on 24 December 2023 (the “**New 2022 Convertible Bonds**”), and zero-coupon convertible bonds due on 5 August 2024 (the “**New 2023 Convertible Bonds**”), the conversion prices of the convertible bonds and the number of new shares to be issued upon exercise of the conversion rights attached to the outstanding convertible bonds has been adjusted in the following manner with effect from 23 February 2023.

	Immediately before the Capital Reorganisation becoming effective		Immediately after the Capital Reorganisation becoming effective	
	Number of Existing Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds	Existing conversion price per Share	Number of New Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds	Adjusted conversion price per New Share
New 2022 Convertible Bonds	966,680,000	HK\$0.05	48,334,000	HK\$1.0
New 2023 Convertible Bonds	2,784,700,000	HK\$0.05	139,235,000	HK\$1.0

For details, please refer to the announcements of the Company dated 19 December 2022 and 21 February 2023, and the circular of the Company dated 20 January 2023.

EVENTS AFTER REPORTING PERIOD

Conversion of Convertible Bonds

On 13 April 2023, part of the New 2022 Convertible Bonds at a conversion price of HK\$1 per share with principal amount of HK\$5,000,000 had been converted into 5,000,000 new ordinary shares of the Company.

Placing of New Shares under General Mandate

On 5 May 2023, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 10,110,000 placing shares at the placing price of HK\$0.42 per placing share (the “**Placing**”).

The placing shares will be allotted and issued pursuant to the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 6 May 2022 and is not subject to further Shareholders’ approval.

Assuming all the placing shares are fully placed, the gross proceeds from the Placing will be approximately HK\$4.2 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission and all relevant expenses) incidental to the Placing of approximately HK\$0.1 million, are estimated to be approximately HK\$4.1 million. The Company intends 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.

For details, please refer to the announcements of the Company dated 5 May 2023 and 11 May 2023.

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 2023, 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 (Note)
Mr. Zhang Wei	Beneficial owner	6,368,896	10.09%
Ms. Li Wei	Beneficial owner	3,632,640	5.75%

Note: The percentage represents the number of shares interested divided by the number of the issued shares as at 31 March 2023 (i.e. 63,091,461 shares).

Save for disclosed above, as at 31 March 2023, 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 2023, 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)	132,835,000	–	132,835,000	210.54%
Mr. Dai Di (Note 1)	–	132,835,000	132,835,000	210.54%
Bustling Capital Limited (Note 2)	38,834,000	–	38,834,000	61.55%
Ms. Jin Yu (Note 2)	–	38,834,000	38,834,000	61.55%
Mr. Dai Hao (Notes 2 and 3)	–	38,834,000	38,834,000	61.55%
Ms. Yip Sze Pui Fione (Note 4)	7,766,500	–	7,766,500	12.30%
Mr. Hui Kwan Wah Hugo (Note 4)	7,766,500	–	7,766,500	12.30%
Mr. Mang Sheung Lok	7,500,000	–	7,500,000	11.88%
Mr. Chow Hung Shen Andrew	5,000,000	–	5,000,000	7.92%

Notes:

- The 132,835,000 shares held by Exuberant Global Limited (“**Exuberant Global**”) represent 132,835,000 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 132,835,000 shares held by Exuberant Global.
- The 38,834,000 shares held by Bustling Capital Limited (“**Bustling Capital**”) represent (i) 500,000 shares and (ii) 38,334,000 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 38,834,000 shares.
- In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 38,334,000 shares held by Bustling Capital.
- The 7,766,500 shares are jointly held by Ms. Yip Sze Pui Fione and Mr. Hui Kwan Wah Hugo. To the best knowledge of the Company, the number of shares was adjusted following the capital reorganisation with effect from 23 February 2023.
- The percentage represents the number of shares interested divided by the number of the issued shares as at 31 March 2023 (i.e. 63,091,461 shares).

Save as disclosed above, the Directors are not aware of any person who, as at 31 March 2023, 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, 12 May 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Wei, Ms. Li Wei and Mr. Mang Sheung Lok; 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 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>.