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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 2023

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 2023 together with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$’000	2022 <i>HK\$’000</i>
Revenue	5	<u>36,233</u>	<u>46,483</u>
Other income and other gains and losses, net	5	10,017	9,097
Administrative and other expenses		(29,302)	(35,767)
Charge of loss allowance for expected credit loss (“ECL”) on loans to customers		(2,607)	(6,081)
Fair value losses on investment properties		(277)	(1,095)
Fair value losses on financial assets at fair value through profit or loss (“FVTPL”)		(190)	(8,562)
Gain on extinguishment of bond payables and liability component of convertible bonds		–	26,944
Cumulative exchange loss previously recognised in other comprehensive income arising from the deregistration of a subsidiary		–	(1,201)
Share of loss of a joint venture		–	(5,425)
Finance costs	6	<u>(15,491)</u>	<u>(25,678)</u>
Loss before income tax	6	(1,617)	(1,285)
Income tax expenses	7	<u>(7,579)</u>	<u>(2,996)</u>
Loss for the year		<u>(9,196)</u>	<u>(4,281)</u>
Loss for the year attributable to:			
Owners of the Company		(8,819)	(7,626)
Non-controlling interests		<u>(377)</u>	<u>3,345</u>
		<u>(9,196)</u>	<u>(4,281)</u>
Loss per share attributable to owners of the Company			
Basic and diluted (<i>Hong Kong cents</i>)	9	<u>(12.18)</u>	<u>(15.01)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	<u>(9,196)</u>	<u>(4,281)</u>
Other comprehensive (expense)/income for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of share of other comprehensive income/(expense) of a joint venture	4	(268)
– Exchange differences on translation of financial statements of foreign operations	<u>(7,310)</u>	<u>(26,817)</u>
<i>Item that has been reclassified to profit or loss:</i>		
– Reclassification on exchange reserve upon deregistration of a subsidiary	<u>–</u>	<u>1,201</u>
Other comprehensive expense for the year, net of tax	<u>(7,306)</u>	<u>(25,884)</u>
Total comprehensive expense for the year	<u>(16,502)</u>	<u>(30,165)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(15,030)	(30,194)
Non-controlling interests	<u>(1,472)</u>	<u>29</u>
	<u>(16,502)</u>	<u>(30,165)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	<i>10</i>	923	1,344
Right-of-use assets		3,260	5,218
Investment properties		2,269	5,240
Intangible assets		–	–
Goodwill		–	–
Repossessed asset		942	–
Investment in a joint venture		–	–
Deferred tax assets		27,909	27,571
		35,303	39,373
Current assets			
Financial assets at FVTPL		–	575
Loans to customers	<i>11</i>	89,833	148,655
Prepayments, deposits and other receivables		934	1,099
Cash and cash equivalents		93,183	105,158
		183,950	255,487
Current liabilities			
Accrued expenses, other payables and deposits received		9,562	9,745
Tax payables		2,082	1,370
Amount due to a director		925	2,160
Promissory note		13,660	–
Convertible bonds – liability component		100,136	50,588
Lease liabilities		1,205	1,508
		127,570	65,371
Net current assets		56,380	190,116
Total assets less current liabilities		91,683	229,489

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities		
Convertible bonds – liability component	–	124,399
Lease liabilities	<u>2,171</u>	<u>3,775</u>
	<u>2,171</u>	<u>128,174</u>
Net assets	<u>89,512</u>	<u>101,315</u>
Capital and reserves		
Issued capital	782	58,091
Reserves	<u>50,354</u>	<u>2,159</u>
Equity attributable to owners of the Company	51,136	60,250
Non-controlling interests	<u>38,376</u>	<u>41,065</u>
Total equity	<u>89,512</u>	<u>101,315</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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	Total		
	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	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 year	-	-	-	-	-	-	-	-	(7,626)	(7,626)	3,345	(4,281)
Other comprehensive (expense)/income												
<i>Items that may be reclassified subsequently to profit or loss:</i>												
Exchange differences on translation of												
– share of other comprehensive expense of a joint venture	-	-	-	-	(268)	-	-	-	-	(268)	-	(268)
– financial statements of foreign operations	-	-	-	-	(23,501)	-	-	-	-	(23,501)	(3,316)	(26,817)
<i>Item that has been reclassified to profit or loss:</i>												
Reclassification on exchange reserve upon deregistration of a subsidiary	-	-	-	-	1,201	-	-	-	-	1,201	-	1,201
Other comprehensive expense for the year	-	-	-	-	(22,568)	-	-	-	-	(22,568)	(3,316)	(25,884)
Total comprehensive (expense)/income for the year	-	-	-	-	(22,568)	-	-	-	(7,626)	(30,194)	29	(30,165)
Transfer to statutory reserve	-	-	-	-	-	-	-	1,541	(1,541)	-	-	-
Transfer upon deregistration of a subsidiary	-	-	-	-	-	-	-	(4,495)	4,495	-	-	-
Transfer upon disposal of equity investment at FVTOCI	-	-	-	-	-	-	(106)	-	106	-	-	-
Transactions with owners												
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,826)	(1,826)
Deemed capital contribution arising from liability portion of convertible bonds	-	-	-	4,742	-	-	-	-	-	4,742	-	4,742
Deemed capital contribution arising from bond payables	-	-	-	13,006	-	-	-	-	-	13,006	-	13,006
Transferred to accumulated losses upon mature of 2022 CB (As defined in Interim Report 2023)	-	-	-	-	-	(1,713)	-	-	1,713	-	-	-
Extinguishment of 2023 CB (As defined in Interim Report 2023)	-	-	-	-	-	(4,141)	-	-	4,141	-	-	-
Recognition of New 2022 CB and New 2023 CB (As defined in Interim Report 2023)	-	-	-	-	-	33,357	-	-	(33,357)	-	-	-
Redemption of 2023 CB by cash	-	-	-	-	-	(193)	-	-	(52)	(245)	-	(245)
Redemption of New 2022 CB and New 2023 CB by cash	-	-	-	-	-	(10,239)	-	-	1,084	(9,155)	-	(9,155)
Conversion of New 2022 CB	7,500	619	-	-	-	(1,025)	-	-	-	7,094	-	7,094
Transactions with owners	7,500	619	-	17,748	-	16,046	-	-	(26,471)	15,442	(1,826)	13,616
As at 31 December 2022	58,091	686,772	131,109	304,635	(69,423)	22,093	-	22,931	(1,095,958)	60,250	41,065	101,315

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2023

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	Statutory reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2023	58,091	686,772	131,109	304,635	(69,423)	22,093	22,931	(1,095,958)	60,250	41,065	101,315
Loss for the year	-	-	-	-	-	-	-	(8,819)	(8,819)	(377)	(9,196)
Other comprehensive (expense)/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	-	-	-	-	4	-	-	-	4	-	4
– financial statements of foreign operations	-	-	-	-	(6,215)	-	-	-	(6,215)	(1,095)	(7,310)
Other comprehensive expense for the year	-	-	-	-	(6,211)	-	-	-	(6,211)	(1,095)	(7,306)
Total comprehensive expense for the year	-	-	-	-	(6,211)	-	-	(8,819)	(15,030)	(1,472)	(16,502)
Transfer to statutory reserve	-	-	-	-	-	-	1,844	(1,844)	-	-	-
Transactions with owners											
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,217)	(1,217)
Issue of new shares upon placing	101	4,018	-	-	-	-	-	-	4,119	-	4,119
Capital reduction upon Capital Reorganisation (<i>As defined in Interim Report 2023</i>)	(62,460)	-	62,460	-	-	-	-	-	-	-	-
Transferred to accumulated losses upon mature of New 2022 CB	-	-	-	-	-	(1,776)	-	1,776	-	-	-
Redemption of New 2022 CB and New 2023 CB by cash	-	-	-	-	-	(8,182)	-	313	(7,869)	-	(7,869)
Conversion of New 2022 CB	5,050	5,982	-	-	-	(1,366)	-	-	9,666	-	9,666
Transactions with owners	(57,309)	10,000	62,460	-	-	(11,324)	-	2,089	5,916	(1,217)	4,699
As at 31 December 2023	782	696,772	193,569	304,635	(75,634)	10,769	24,775	(1,104,532)	51,136	38,376	89,512

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 2022 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are 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 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

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

HKFRS 17: Insurance Contracts

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

The core of HKFRS 17 is the general measurement model where estimates are re-measured in each reporting period. Under the model, contracts are measured based on discounted probability-weighted cash flows, an explicit risk adjustment for non-financial risk, and a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

An optional, simplified premium allocation approach is permitted for certain types of contracts, such as short duration contracts.

There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts such as those with direct participation features. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin.

The adoption of HKFRS 17 does not have any significant impact on the consolidated financial statements.

Amendment to HKFRS 17: Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The amendment is a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The adoption of the amendment 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 HKAS 1	Classification of Liabilities as Current or Non-current ⁽¹⁾
Amendments to HKAS 1	Non-current Liabilities with Covenants ⁽¹⁾
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ⁽¹⁾
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ⁽¹⁾
Amendments to HKAS 21	Lack of Exchangeability ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2024

⁽²⁾ Effective for annual periods beginning on or after 1 January 2025

⁽³⁾ 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 the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group’s consolidated financial statements.

4. 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 and deferred tax assets (“Specified non-current assets”):

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		As at 31 December	
	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Hong Kong	–	–	743	1,519
The PRC	<u>36,233</u>	<u>46,483</u>	<u>6,651</u>	<u>10,283</u>
	<u>36,233</u>	<u>46,483</u>	<u>7,394</u>	<u>11,802</u>

Revenue from customers individually contributed over 10% of the Group’s revenue are as follows:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Customer A	–	7,963
Customer B	5,853	–
Customer C	4,734	N/A
Customer D	<u>4,312</u>	<u>–</u>
	<u>14,899</u>	<u>7,963</u>

Revenue from Customer C was less than 10% of the total revenue for the year ended 31 December 2022.

5. 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:

	2023	2022
	HK\$'000	HK\$'000
Revenue		
Revenue from other sources		
Interest income from loans to customers	36,233	36,900
Settlement gain from distressed debt assets classified in loans to customers	—	9,392
	<u>36,233</u>	<u>46,292</u>
Revenue from contracts with customers within HKFRS 15		
Financial consultancy income (<i>Note (i)</i>)	—	191
	<u>—</u>	<u>191</u>
Short-term financing services income	<u>36,233</u>	<u>46,483</u>
Other income and other gains and losses, net		
Bank interest income	778	1,512
Gain on early redemption of convertible bonds	9,184	5,190
Gain on disposal of repossessed assets	—	6
Government grants (<i>Note (ii)</i>)	—	150
Gain on early termination of a lease	190	—
Gain on settlement of the New 2022 CB by issuance of promissory note	11	—
Gain on disposal of property, plant and equipment	27	—
Loss on disposal of an investment property	(339)	—
Recovery of bad debts previously written off (<i>Note (iii)</i>)	—	2,088
Sundry income	166	151
	<u>10,017</u>	<u>9,097</u>

Notes:

- (i) The revenue from contracts with customers within HKFRS 15 for financial consultancy income generated by the Group was recognised over time during the year ended 31 December 2022.
- (ii) During the year ended 31 December 2022, the Group had recognised government grants of approximately HK\$150,000 which is the funding support from the Employment Support Scheme (“ESS”) under the Anti-epidemic Funds set up by the Hong Kong Special Administrative Region Government. The purpose of the ESS is to provide financial support to employers to retain employees who may otherwise be made redundant. Under the terms of the grant, the Group was required not to implement redundancies during the subsidy period and to spend all the funding on payment of wages to its employees.
- (iii) The amount represented the recovery of bad debts relating to loans to customers written off in previous years during the year ended 31 December 2022.

6. LOSS BEFORE INCOME TAX

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

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance costs			
Effective interest expenses on			
– convertible bonds		15,320	25,485
– promissory note		21	–
– lease liabilities		150	193
		15,491	25,678
Other items			
Staff costs (excluding directors' emoluments)			
Salaries, bonuses, allowances and other benefits		13,066	17,606
Pension scheme contributions		1,110	1,757
		14,176	19,363
Auditors' remuneration			
– Audit services		715	793
– Non-audit services		415	250
Depreciation of property, plant and equipment	<i>10</i>	293	421
Depreciation of right-of-use assets		1,384	1,552
Exchange differences, net		199	638
Short-term or low value lease payments		869	1,577

7. INCOME TAX EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
The PRC		
Current tax charge for the year	6,396	3,980
Under-provision in respect of prior years	<u>617</u>	<u>171</u>
	<u>7,013</u>	<u>4,151</u>
Withholding tax on dividends	1,650	–
Deferred tax credited	<u>(1,084)</u>	<u>(1,155)</u>
Income tax expenses	<u><u>7,579</u></u>	<u><u>2,996</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 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 years ended 31 December 2023 and 2022, no provision for Hong Kong Profits Tax has been provided as the Group had no assessable profits arising in Hong Kong.

For the years ended 31 December 2023 and 2022, 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%.

The subsidiaries of the Group established in the PRC, save for below, are subject to enterprise income tax (“EIT”) of the PRC at 25% for the years ended 31 December 2023 and 2022.

According to the current effective preferential income tax 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 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 above income tax policies. During the years ended 31 December 2023 and 2022, 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% 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%).

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before income tax	<u>(1,617)</u>	<u>(1,285)</u>
Tax calculated at the rates applicable to the tax jurisdiction concerned	1,233	1,039
Tax effect on income not taxable for tax purpose	(1,235)	(5,880)
Tax effect on expenses not deductible for tax purpose	2,748	6,780
Tax concession	(14)	(687)
Unrecognised tax losses	2,580	1,681
Utilisation of previously unrecognised tax losses	–	(108)
Under-provision in respect of prior years	617	171
Withholding tax on dividends	<u>1,650</u>	<u>–</u>
Income tax expenses for the year	<u>7,579</u>	<u>2,996</u>

8. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2023 (2022: Nil). The Directors of the Company do not recommend for payment of a final dividend for the year ended 31 December 2023 (2022: 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 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 year ended 31 December 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:

	2023	2022
	HK\$'000	HK\$'000
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculations	<u><u>(8,819)</u></u>	<u><u>(7,626)</u></u>
	Number of shares	
	2023	2022
	'000	'000
		<i>(Adjusted)</i>
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculations <i>(Notes a and b)</i>	<u><u>72,432</u></u>	<u><u>50,797</u></u>

Notes:

- (a) The weighted average number of ordinary shares of 72,432,338 for the year ended 31 December 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 on 31 January 2023; (ii) the Share Consolidation under Capital Reorganisation (as defined in Interim Report 2023) completed on 23 February 2023; (iii) conversion of New 2022 CB into 5,000,000 new ordinary shares of the Company on 13 April 2023; and (iv) placing of shares under general mandate completed on 24 May 2023.
- (b) The weighted average number of ordinary shares of 50,796,941 (adjusted) for the year ended 31 December 2022 is derived from 1,011,829,233 in issue as at 1 January 2022, after taking into account the effects of the (i) conversion of New 2022 CB into 150,000,000 new ordinary shares of the Company on 22 December 2022; and (ii) the Share Consolidation under Capital Reorganisation completed on 23 February 2023, and assuming the Capital Reorganisation had been completed on 1 January 2022.

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>
Cost				
As at 1 January 2022	506	2,884	1,260	4,650
Additions	–	88	–	88
Exchange realignments	–	(175)	(96)	(271)
As at 31 December 2022 and 1 January 2023	506	2,797	1,164	4,467
Additions	–	152	–	152
Disposal/Written off	–	(1,839)	(372)	(2,211)
Exchange realignments	–	(49)	(30)	(79)
As at 31 December 2023	<u>506</u>	<u>1,061</u>	<u>762</u>	<u>2,329</u>
Accumulated depreciation				
As at 1 January 2022	506	1,806	534	2,846
Charge for the year	–	236	185	421
Exchange realignments	–	(98)	(46)	(144)
As at 31 December 2022 and 1 January 2023	506	1,944	673	3,123
Charge for the year	–	140	153	293
Disposal/Written off	–	(1,634)	(331)	(1,965)
Exchange realignments	–	(28)	(17)	(45)
As at 31 December 2023	<u>506</u>	<u>422</u>	<u>478</u>	<u>1,406</u>
Net carrying amount				
As at 31 December 2023	<u>–</u>	<u>639</u>	<u>284</u>	<u>923</u>
As at 31 December 2022	<u>–</u>	<u>853</u>	<u>491</u>	<u>1,344</u>

11. LOANS TO CUSTOMERS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Principal and interest receivables:		
Pawn loans	108,306	171,322
Micro-credit loans	85,292	81,294
Distressed debt assets	<u>5,841</u>	<u>6,003</u>
Loans to customers, gross	199,439	258,619
<i>Less:</i>		
Loss allowance	<u>(109,606)</u>	<u>(109,964)</u>
Loans to customers, net	<u><u>89,833</u></u>	<u><u>148,655</u></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 ECL.

The following is a credit quality analysis of loans to customers before loss allowance for ECL as at 31 December 2023 and 2022 under the requirements of HKFRS 9:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Neither overdue nor credit-impaired	82,603	96,920
Overdue but not credit-impaired		
– overdue within 30 days	2,713	18,076
– overdue 30 to 90 days	7,688	13,262
Overdue and credit-impaired		
– overdue more than 90 days	<u>106,435</u>	<u>130,361</u>
	<u><u>199,439</u></u>	<u><u>258,619</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2023, 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 2023 of approximately HK\$36,233,000 (2022: approximately HK\$46,483,000), representing a decrease of approximately HK\$10,250,000 as compared with the previous year. The decrease was mainly due to the decrease of settlement gain from distressed debt assets from short term financing services. The Group recorded approximately HK\$9,392,000 in settlement gain from distressed debt assets from short term financing services as a result of the recovery of principal and interest expenses receivables from several distressed debt assets during the year ended 31 December 2022, while no such income was recorded during the year ended 31 December 2023.

Other income and other gains and losses, net for the year ended 31 December 2023 was approximately HK\$10,017,000 (2022: approximately HK\$9,097,000), which represents a slight increase of approximately HK\$920,000 when compared to the year 2022.

The administrative and other expenses for the year ended 31 December 2023 has decreased from approximately HK\$35,767,000 for the year ended 31 December 2022 to approximately HK\$29,302,000. The decrease was mainly due to the decrease of the staff cost when compared to the year 2022.

The Group recorded charge of loss allowance for ECL on loans to customers for the year ended 31 December 2023 of approximately HK\$2,607,000 (2022: approximately HK\$6,081,000), which represents a decrease of approximately HK\$3,474,000 when compared to the year 2022. The decrease in charge of loss allowance for ECL was mainly attributable to the combination of two factors. Firstly, there was a reduction in the gross amount of loans to customers' balance for the year ended 31 December 2023, which consequently led to an overall decrease in the charge of loss allowance for ECL. The reduction in the gross amount of loans to customers' balance could be attributed to various factors, including the economic environment in the PRC and our strategic initiatives to manage risk exposure and optimise our loan portfolio. These factors have resulted in a decrease in loan volume during the year, consequently reducing the gross amount of loans to customers' balance. Secondly, due to the challenging economic environment, including the weakened global economy, coupled with a highly competitive industry landscape and complex market conditions, there was a further deterioration of the customers' ageing and the decline of the expected recoverable value of collaterals and guarantees which resulted from the increase in costs and efforts of their realisation. Consequently, there was an increase in the weighted average rate of ECL during the year 2023. Overall, the net effects of the reduction in the gross amount of loans to customers' balance and the increase in the weighted average rate of ECL resulted in a decrease in the charge of loss allowance for ECL.

The Group recorded a fair value loss on financial assets at FVTPL of approximately HK\$190,000 for the year ended 31 December 2023 due to a realised loss recognised from the listed equity investment, while an unrealised fair value loss on financial assets at FVTPL of approximately HK\$8,562,000 was recorded for the year ended 31 December 2022.

On 21 July 2022, the Company issued the New 2022 CB and the New 2023 CB to settle the outstanding principal amounts of 2022 CB and 2023 CB, respectively. The setting off resulted in a one-off gain on extinguishment of bond payables and liability component of convertible bonds in the amount of approximately HK\$26,944,000 recorded for the year ended 31 December 2022 whereas no such gain was recognised for the year ended 31 December 2023.

The finance costs for the year ended 31 December 2023 decreased by approximately HK\$10,187,000 to approximately HK\$15,491,000 (2022: approximately HK\$25,678,000). The decrease was mainly due to partial redemption of convertible bonds by the Group during the years ended 31 December 2022 and 2023, as well as the conversion of the convertible bonds by the convertible bonds' holders of the Group during the year ended 31 December 2023.

The slight increase in loss attributable to the owners of the Company was mainly due to the combined effects of the following factors: (i) a decrease in total revenue by approximately HK\$10,250,000 for the year ended 31 December 2023 compared to the corresponding year in 2022; (ii) a one-off gain on extinguishment of bond payables and liability component of convertible bonds in the amount of approximately HK\$26,944,000 recorded for the year ended 31 December 2022, whereas no such gain was recognised for the year ended 31 December 2023; (iii) a decrease in finance costs for the year ended 31 December 2023 by approximately HK\$10,187,000 compared to the corresponding year in 2022; (iv) a decrease of fair value loss on financial assets at FVTPL of approximately HK\$8,372,000 for the year ended 31 December 2023 compared to the corresponding year in 2022; (v) a decrease of administrative and other expenses by approximately HK\$6,465,000 for the year ended 31 December 2023 compared to the corresponding year in 2022; (vi) a share of loss of a joint venture of approximately HK\$5,425,000 was recorded for the year ended 31 December 2022, while no such share of loss was recorded for the year ended 31 December 2023; and (vii) a decrease in the charge of loss allowance for ECL on loans to customers by approximately HK\$3,474,000 for the year ended 31 December 2023 compared to the corresponding year in 2022.

Short-term financing services

During the year ended 31 December 2023, the financial results of short-term financing services were substantially contributed by the loan businesses of the Group, in which the revenue of this businesses was approximately HK\$36,233,000 (2022: approximately HK\$36,900,000). The operating results of short-term financing services recorded a profit before income tax of approximately HK\$21,056,000 (2022: approximately HK\$24,298,000). The deterioration of the operating results was mainly attributable to the combined effect of (i) decrease in revenue by approximately HK\$10,250,000; and (ii) net decrease in charge of loss allowance for ECL on loans to customers by approximately HK\$3,474,000.

PROSPECTS

Looking ahead, the global economic environment in 2024 is expected to be challenging and uncertain due to various factors such as geopolitical issues, conflicts in Europe and the Middle East, and the US presidential election. Furthermore, as the economies of the PRC and Hong Kong are still in the process of recovering from the pandemic, coupled with intense competition in the domestic financial market in the PRC, the operating environment for short-term financing in 2024 is expected to remain challenging. In such a volatile market environment, it is crucial for us to maintain quick and flexible lending strategy to leverage our advantages in the competitive landscape of short-term financing business. At the same time, we shall strive to enhance our market competitiveness, reduce customer acquisition costs, improve the level of industry informatization, strengthen risk control, expedite collection of existing loans, and explore new business channels and markets. These efforts will contribute to the sustained development of our business.

While continuing to focus on its existing short-term financing operations, the Group will also continue to explore new business opportunities and will actively seek appropriate potential merger and acquisition projects in the PRC and/or Hong Kong. It is contemplated that this strategic approach will broaden and diversify our sources of income, thereby increasing the Group's revenue and creating long-term sustainable value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had other debts comprising promissory note and liability component of convertible bonds of approximately HK\$113,796,000 (2022: liability component of convertible bonds of approximately HK\$174,987,000). 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 2023, the Group had cash and cash equivalents of approximately HK\$93,183,000 (2022: approximately HK\$105,158,000) 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 internal cash flows generated from operations and external fund raising activities from the capital market.

As at 31 December 2023, the gearing ratio for the Group was approximately 2.2 (2022: approximately 2.9), calculated based on the total financial liabilities of approximately HK\$113,796,000 (2022: approximately HK\$174,987,000) over shareholder's equity of approximately HK\$51,136,000 (2022: approximately HK\$60,250,000). The debt ratio was approximately 0.59 (2022: approximately 0.66), 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 2023 is summarised as follows:

(i) Bank Borrowings

There was no bank borrowings outstanding as at 31 December 2023 (2022: Nil).

(ii) Promissory Note

During the year ended 31 December 2023, the Company had a promissory note issued for the settlement of the matured New 2022 CB. Summary of the promissory note is as follows.

Date of issue	Principal amount as at 24 December 2023 (HK\$)	Interest rate per annum	Principal repayment due date (Note)	Redeemed principal amount (HK\$)	Outstanding principal amount as at 31 December 2023 (HK\$)
24 December 2023	13,650,000	7%	23 December 2024	–	13,650,000

Note: On 24 December 2023, the Company entered into an agreement with the New 2022 CB holder, pursuant to which the Company issued a new promissory note with principal amount of HK\$13,650,000 to settle the outstanding principal amount of HK\$13,000,000 with redemption premium of HK\$650,000 of the New 2022 CB, which was matured on 24 December 2023.

(iii) Convertible Bonds

During the year ended 31 December 2023, the Company had 2 series of non-interest bearing convertible bonds issued as part of the consideration of the acquisition of Prima Finance Holdings Limited (which was struck off on 31 March 2021) and Sunny Bridge Investments Limited and its subsidiaries outstanding. Summary of the convertible bonds is as follows.

Date of issue	Principal amount as at 1 January 2023 (HK\$)	Maturity date	Conversion price per share (HK\$)	Amount converted into shares during the year (HK\$)	Amount redeemed during the year (HK\$)	Amount matured during the year (HK\$)	Outstanding principal amount as at 31 December 2023 (HK\$)	Number of shares to be issued upon full conversion as at 31 December 2023
21 July 2022	53,334,000	24 December 2023	1.0	(10,000,000)	(30,334,000)	(13,000,000)	–	–
21 July 2022	139,235,000	5 August 2024	1.0	–	(37,962,000)	–	101,273,000	101,273,000

Note: As a result of the capital reorganisation, the conversion price of the convertible bonds issued has been adjusted from HK\$0.05 to HK\$1.0 accordingly. For details, please refer to the paragraph headed “Capital Reorganisation” in this announcement, the circular dated 20 January 2023 and the announcements of the Company dated 19 December 2022 and 21 February 2023.

FUND RAISING ACTIVITIES

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 ordinary shares at the placing price of HK\$0.42 per placing share (the “**Placing**”). The closing price of share was HK\$0.485 per share as quoted on the Exchange on 5 May 2023, being the date of the placing agreement.

The placing shares was 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.

The completion of the Placing took place on 24 May 2023. All the placing shares are fully placed, the gross proceeds from which was approximately HK\$4.2 million. The net placing price was approximately HK\$0.410 per placing share. 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, was approximately HK\$4.1 million. The net proceeds from the Placing had been applied 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.

USE OF PROCEEDS

Placing of New Shares under General Mandate

The actual net proceeds raised from the placing of 10,110,000 ordinary shares of the Company under general mandate on 5 May 2023 was approximately HK\$4,119,000. Up to 31 December 2023, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds HK\$'000	Actual use of net proceeds up to 31 December 2023 HK\$'000	Unutilised net proceeds up to 31 December 2023 HK\$'000
Settlement of outstanding short-term liabilities of the Company	<u>4,119</u>	<u>4,119</u>	<u>—</u>

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. As at the date of the Disposal, the property was vacant and held by the Vendor for investment purpose.

* English name is for identification purposes only.

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). During the year ended 31 December 2023, the property was disposed with a consideration of RMB2,050,000 (equivalent to approximately HK\$2,343,000), resulting in a loss on Disposal of approximately HK\$339,000. The proceeds from the Disposal were used for general working capital.

For details, please refer to the announcements of the Company dated 27 March 2023 and 31 March 2023.

During the year ended 31 December 2023, 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 2023, the Group did not have any assets under charge (2022: Nil).

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 2023, 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 2023, 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 2023, 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 2023, the Group did not have any material contingent liability (2022: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 39 employees (2022: 49 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 2023 amounted to approximately HK\$14,176,000 (2022: approximately HK\$19,363,000).

The share option scheme of the Company expired on 2 August 2022 and the Group has no other share schemes. The Company is considering to adopt a new share option scheme to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

CAPITAL REORGANISATION

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

- (i) the share consolidation whereby every twenty (20) then existing shares would be consolidated into one (1) consolidated Share;
- (ii) the capital reduction whereby the issued share capital of the Company would 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 would be reduced from HK\$1.0 to HK\$0.01;
- (iii) the sub-division whereby of each authorised but unissued consolidated Share of HK\$1.0 (including the unissued Shares arising from the capital reduction) would 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.

At the time of proposing the capital reorganisation in December 2022, the closing prices of the then existing shares was traded at below the par value of HK\$0.05 per share for a certain period and according to the Bermuda law, the Company might 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 provided 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 applicable to set off its accumulated losses. Save that no fractional new Shares (with par value of HK\$0.01 each) would allocated to Shareholders and the relevant expenses (including but not limited to professional fees and printing charges) to be incurred in relation to the capital reorganisation, there would not have material effect on the Group's consolidated net asset value, and it would 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 considered that the capital reorganisation was 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 became effective from 23 February 2023. As a result, the Company had 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 New 2022 CB, and New 2023 CB, 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.

	<u>Immediately before the Capital Reorganisation becoming effective</u>		<u>Immediately after the Capital Reorganisation becoming effective</u>	
	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 CB	966,680,000	HK\$0.05	48,334,000	HK\$1.0
New 2023 CB	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.

EVENT AFTER REPORTING PERIOD

Partial Redemption of Convertible Bonds

On 17 November 2023, the Company and a holder of New 2023 CB entered into a redemption agreement, to early redeem the zero-coupon convertible bonds with principal amount of HK\$21,240,000 by cash settlement of approximately HK\$20,391,000. Upon completion of the redemption on 23 January 2024 and 18 March 2024, the remaining outstanding principal of New 2023 CB is HK\$80,033,000. 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 New 2023 CB at initial recognition. At the date of redemption, 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\$3,099,000, and the redemption prices allocated to the equity component of approximately HK\$2,259,000 were recognised in profit or loss and equity respectively. Upon the redemption of New 2023 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed New 2023 CB of HK\$31 was transferred to accumulated losses.

Placing of New Shares under General Mandate

The Company and Ruibang Securities Limited entered into a placing agreement on 28 February 2024, pursuant to which the placing agent agreed, to procure on a best effort basis not less than six places to subscribe for up to 15,640,000 new ordinary shares at a price of HK\$0.5 each. The placing shares rank pari passu in all respect with the then existing shares of the Company. The closing price of share was HK\$0.58 per share as quoted on the Exchange on 28 February 2024, being the date of the placing agreement. The placing shares would 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 28 June 2023 and is not subject to further Shareholders' approval. The completion of the placing took place on 14 March 2024. All the placing shares are fully placed, the gross proceeds from the placing was approximately HK\$7.8 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\$0.4 million, was approximately HK\$7.4 million. The net placing price was approximately HK\$0.47 per placing share. 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. Details of the placing of new shares were set out in the Company's announcement dated 28 February 2024.

Partial Redemption of Promissory Note

On 6 February 2024, the Company and a holder of promissory note entered into redemption agreement, to early redeem the promissory note with principal amount of HK\$6,568,000 by cash settlement at consideration of HK\$6,568,000. Upon completion of the redemption, the remaining outstanding principal of promissory note is HK\$7,082,000. The carrying value of the promissory note redeemed was approximately HK\$6,619,000 and a settlement gain of approximately HK\$51,000 was charged to profit or loss.

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 2023.

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.

Throughout the year ended 31 December 2023, the Company had complied with all the code provisions set out in the Appendix C1 Corporate Governance Code of the GEM Listing Rules (the "CG Code") with the exception of the following deviations:

Code Provision C.2.1

Code provision C.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 chief executive officer 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 chief executive officer if the situation warrants it.

On 17 November 2023, Mr. Mang Sheung Lok was re-designated from Vice Chairman to the Chairman of the Board in place of Mr. Zhang Wei. Following the re-designation of Mr. Mang as the Chairman, the Company has complied with code provision C.2.1 of the CG Code.

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 2023.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023, 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 2023 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 2023.

By order of the Board of
Capital Finance Holdings Limited
Mang Sheung Lok
Chairman and Executive Director

Hong Kong, 21 March 2024

As at the date of this announcement, the executive Directors are Mr. Mang Sheung Lok, Mr. Zhang Wei and Ms. Li Wei; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Chan Ngai Fan and Ms. Cheung Yin Man Monica.

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>.