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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)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 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 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 and six months ended 30 June 2023 (the “**Interim Period**”) together with the unaudited comparative figures for the corresponding periods in 2022, as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	4	14,512	16,551	21,466	24,558
Other income and other gains and losses, net	4	4,404	(92)	4,485	607
Administrative and other expenses		(8,655)	(9,209)	(15,122)	(17,923)
Reversal/(Charge) of loss allowance for expected credit losses (“ECLs”) on loans to customers	16(b)	2,357	3,848	7,452	(7,380)
Fair value (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”)	5	(45)	118	(167)	(8,439)
Cumulative exchange loss previously recognised in other comprehensive income arising from the deregistration of a subsidiary		–	(1,201)	–	(1,201)
Share of profit of a joint venture		–	160	–	83
Finance costs	6	(4,208)	(7,288)	(8,631)	(14,505)
Profit/(Loss) before income tax	7	8,365	2,887	9,483	(24,200)
Income tax expenses	8	(3,392)	(1,988)	(5,860)	(174)
<b>Profit/(Loss) for the period</b>		<b>4,973</b>	<b>899</b>	<b>3,623</b>	<b>(24,374)</b>
<b>Attributable to:</b>					
Owners of the Company		4,889	(3,300)	2,822	(28,893)
Non-controlling interests		84	4,199	801	4,519
		<b>4,973</b>	<b>899</b>	<b>3,623</b>	<b>(24,374)</b>
			(Restated)		(Restated)
<b>Earnings/(Loss) per share attributable to owners of the Company</b>	10				
– Basic (Hong Kong cents)		6.82	(6.52)	4.24	(57.11)
– Diluted (Hong Kong cents)		3.69	(6.52)	4.24	(57.11)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2023

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Profit/(Loss) for the period</b>	<b><u>4,973</u></b>	<b><u>899</u></b>	<b><u>3,623</u></b>	<b><u>(24,374)</u></b>
<b>Other comprehensive (expense)/income for the period</b>				
<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	16	(288)	24	(247)
– Exchange differences on translation of financial statements of foreign operations	<u>(14,127)</u>	<u>(17,898)</u>	<u>(11,628)</u>	<u>(15,381)</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>	<u>–</u>	<u>1,201</u>
<b>Other comprehensive expense for the period, net of tax</b>	<b><u>(14,111)</u></b>	<b><u>(16,985)</u></b>	<b><u>(11,604)</u></b>	<b><u>(14,427)</u></b>
<b>Total comprehensive expense for the period</b>	<b><u>(9,138)</u></b>	<b><u>(16,086)</u></b>	<b><u>(7,981)</u></b>	<b><u>(38,801)</u></b>
<b>Attributable to:</b>				
Owners of the Company	<u>(6,963)</u>	<u>(18,002)</u>	<u>(6,920)</u>	<u>(41,353)</u>
Non-controlling interests	<u>(2,175)</u>	<u>1,916</u>	<u>(1,061)</u>	<u>2,552</u>
	<b><u>(9,138)</u></b>	<b><u>(16,086)</u></b>	<b><u>(7,981)</u></b>	<b><u>(38,801)</u></b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		<b>30 June</b>	31 December
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Audited)
	Notes	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>1,116</b>	1,344
Right-of-use assets	12	<b>4,324</b>	5,218
Investment properties	13	<b>2,494</b>	5,240
Intangible assets		–	–
Goodwill		–	–
Repossessed assets	14	<b>923</b>	–
Investment in a joint venture		–	–
Deferred tax assets		<b>24,529</b>	27,571
		<u><b>33,386</b></u>	<u>39,373</u>
<b>Current assets</b>			
Financial assets at FVTPL	15	<b>408</b>	575
Loans to customers	16	<b>140,419</b>	148,655
Prepayments, deposits and other receivables		<b>1,239</b>	1,099
Cash and cash equivalents		<b>78,503</b>	105,158
		<u><b>220,569</b></u>	<u>255,487</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2023

		<b>30 June 2023</b>	31 December 2022
		<b>(Unaudited)</b>	(Audited)
	Notes	<b>HK\$'000</b>	HK\$'000
<b>Current liabilities</b>			
Accrued expenses, other payables and deposits received		7,712	9,745
Tax payables		2,237	1,370
Amount due to a director	17	2,160	2,160
Convertible bonds – liability component	18	30,233	50,588
Lease liabilities		<u>1,481</u>	<u>1,508</u>
		<u>43,823</u>	<u>65,371</u>
<b>Net current assets</b>		<u>176,746</u>	<u>190,116</u>
<b>Total assets less current liabilities</b>		<u>210,132</u>	<u>229,489</u>
<b>Non-current liabilities</b>			
Convertible bonds – liability component	18	105,647	124,399
Lease liabilities		<u>3,048</u>	<u>3,775</u>
		<u>108,695</u>	<u>128,174</u>
<b>Net assets</b>		<u><u>101,437</u></u>	<u><u>101,315</u></u>
<b>Capital and reserves</b>			
Issued capital	19	782	58,091
Reserves		<u>61,895</u>	<u>2,159</u>
Equity attributable to owners of the Company		62,677	60,250
Non-controlling interests		<u>38,760</u>	<u>41,065</u>
<b>Total equity</b>		<u><u>101,437</u></u>	<u><u>101,315</u></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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	Statutory reserve				Accumulated losses
	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 (Audited)	58,091	686,772	131,109	304,635	(69,423)	22,093	22,931	(1,095,958)	60,250	41,065	101,315
Profit for the period	-	-	-	-	-	-	-	2,822	2,822	801	3,623
<b>Other comprehensive expense</b>											
<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	-	-	-	-	24	-	-	-	24	-	24
– financial statements of foreign operations	-	-	-	-	(9,766)	-	-	-	(9,766)	(1,862)	(11,628)
Other comprehensive expense for the period	-	-	-	-	(9,742)	-	-	-	(9,742)	(1,862)	(11,604)
Total comprehensive expense for the period	-	-	-	-	(9,742)	-	-	2,822	(6,920)	(1,061)	(7,981)
<b>Transactions with owners</b>											
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,244)	(1,244)
Issue of new shares upon placing (Note 19)	101	4,018	-	-	-	-	-	-	4,119	-	4,119
Redemption of New 2022 CB (as defined in Note 18) and New 2023 CB (as defined in Note 18) by cash	-	-	-	-	-	(4,633)	-	195	(4,438)	-	(4,438)
Conversion of New 2022 CB (Note 18)	5,050	5,982	-	-	-	(1,366)	-	-	9,666	-	9,666
Capital Reduction (Note 19)	(62,460)	-	62,460	-	-	-	-	-	-	-	-
Transactions with owners	(57,309)	10,000	62,460	-	-	(5,999)	-	195	9,347	(1,244)	8,103
As at 30 June 2023 (Unaudited)	782	696,772	193,569	304,635	(79,165)	16,094	22,931	(1,092,941)	62,677	38,760	101,437

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 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	-	-	-	-	-	-	-	-	(28,893)	(28,893)	4,519	(24,374)
<b>Other comprehensive expense</b>												
<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	-	-	-	-	(247)	-	-	-	-	(247)	-	(247)
– financial statements of foreign operations	-	-	-	-	(13,414)	-	-	-	-	(13,414)	(1,967)	(15,381)
<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 period	-	-	-	-	(12,460)	-	-	-	-	(12,460)	(1,967)	(14,427)
Total comprehensive expense for the period	-	-	-	-	(12,460)	-	-	-	(28,893)	(41,353)	2,552	(38,801)
Transfer upon deregistration of a subsidiary	-	-	-	-	-	-	-	(4,495)	4,495	-	-	-
Transfer upon disposal of equity investment at fair value through other comprehensive income (“FVTOCI”)	-	-	-	-	-	-	(106)	-	106	-	-	-
<b>Transactions with owners</b>												
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,893)	(1,893)
Redemption of 2023 CB (As defined in Note 18) by cash	-	-	-	-	-	(193)	-	-	(52)	(245)	-	(245)
Transferred to accumulated losses upon mature of 2022 CB (Note 18)	-	-	-	-	-	(1,713)	-	-	1,713	-	-	-
Transactions with owners	-	-	-	-	-	(1,906)	-	-	1,661	(245)	(1,893)	(2,138)
As at 30 June 2022 (Unaudited)	50,591	686,153	131,109	286,887	(59,315)	4,141	-	21,390	(1,087,552)	33,404	43,521	76,925

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations		12,524	14,400
Interest received		404	592
Income taxes paid		(2,989)	(3,481)
<b>Net cash generated from operating activities</b>		<b>9,939</b>	<b>11,511</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	11	(29)	(71)
Purchase of financial assets at FVTPL		–	(3,510)
Proceeds from disposal of investment property		2,313	–
Proceeds from disposal of property, plant and equipment		91	–
Proceeds from disposal of financial assets at FVTPL		–	7,073
Proceeds from disposal of equity investment at FVTOCI		–	8,456
<b>Net cash generated from investing activities</b>		<b>2,375</b>	<b>11,948</b>
<b>FINANCING ACTIVITIES</b>			
Advance from a director		200	2,160
Repayment to a director		(200)	–
Dividends paid to non-controlling interests		(1,244)	(1,893)
Issue of new shares upon placing	19(f)	4,246	–
Payment for transaction costs attributed to issue of shares	19(f)	(127)	–
Repayment for lease liabilities	12	(672)	(779)
Redemption of convertible bonds	18	(37,711)	(8,000)
<b>Net cash used in financing activities</b>		<b>(35,508)</b>	<b>(8,512)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(23,194)</b>	<b>14,947</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>105,158</b>	<b>95,905</b>
<b>Effect of foreign exchange rate changes, net</b>		<b>(3,461)</b>	<b>3,883</b>
<b>Cash and cash equivalents at end of the period</b>		<b>78,503</b>	<b>114,735</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		78,503	114,735

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months and six months ended 30 June 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 Interim Period, the Company is principally engaged in investment holding. The Group is principally engaged in 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 and six months ended 30 June 2023 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and 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 Interim 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 Interim Financial Statements are presented in Hong Kong dollars ("HK\$"), which is same as the functional currency of the Company, and rounded to the nearest thousand unless otherwise indicated.

The Interim 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 the Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by 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 Interim Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. The estimates and associated assumptions are based on historical experience and various other factors 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 Interim 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 Interim 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 interpretations issued by the HKICPA that are first effective from 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 Interim 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 Interim 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 and six months ended 30 June 2023 and 30 June 2022, being the single geographical region.

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
<b>Revenue from other sources</b>				
Interest income from loans to customers	14,512	6,814	21,466	14,821
Settlement gain from distressed debt assets classified in loans to customers	–	9,737	–	9,737
	<u>–</u>	<u>9,737</u>	<u>–</u>	<u>9,737</u>
Short-term financing services income	<u>14,512</u>	<u>16,551</u>	<u>21,466</u>	<u>24,558</u>
<b>Other income and other gains and losses, net</b>				
Exchange difference, net	(430)	(430)	(355)	(368)
Bank interest income	134	276	404	592
Gain on disposal of property, plant and equipment	–	–	50	–
Loss on disposal of investment property	(14)	–	(339)	–
Gain on disposal of repossessed assets	–	6	–	6
Gain on early redemption of convertible bonds (Note 18)	4,714	–	4,714	303
Sundry income	–	56	11	74
	<u>–</u>	<u>56</u>	<u>11</u>	<u>74</u>
	<u>4,404</u>	<u>(92)</u>	<u>4,485</u>	<u>607</u>

## 5. FAIR VALUE (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair value (loss)/gain 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		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest expenses on				
– Convertible bonds	4,167	7,239	8,546	14,402
– Lease liabilities	41	49	85	103
	<u>4,208</u>	<u>7,288</u>	<u>8,631</u>	<u>14,505</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		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff Costs (excluding Directors' emoluments)				
Salaries, allowance and other benefits	4,288	4,110	7,081	7,810
Pension scheme contributions	315	412	662	987
Auditor's remuneration	309	254	552	497
Depreciation of property, plant and equipment	70	108	164	220
Depreciation of right-of-use assets	367	399	739	815
Short-term or low value lease payments	212	434	421	883
	<u>4,208</u>	<u>7,288</u>	<u>8,631</u>	<u>14,505</u>

## 8. INCOME TAX EXPENSES

The amount of income tax expenses in the unaudited condensed consolidated income statement represents:

	Three months ended		Six months ended	
	30 June		30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>Current income tax</b>				
The PRC				
Current tax charge for the period	2,613	849	3,807	1,842
Under-provision in respect of prior periods	190	177	190	177
	2,803	1,026	3,997	2,019
<b>Deferred tax charged/(credited)</b>	589	962	1,863	(1,845)
Income tax expenses	<u>3,392</u>	<u>1,988</u>	<u>5,860</u>	<u>174</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 Interim Period, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profit 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 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 periods ended 30 June 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 Interim 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% (2022: 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% (2022: 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 Interim Period (2022: Nil).

## 10. EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings/(loss) per share for the current period and prior period are based on the profit/(loss) for the periods 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 calculations of diluted earnings/(loss) per share for the current period and prior period are based on the profit/(loss) for the periods 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 30 June 2023, the diluted earnings per share would reduce if the Company's outstanding convertible bonds were taken into account, as those convertible bonds had a dilutive effect to the basic earnings per share and hence the conversion of the above potential dilutive shares is assumed in the computation of diluted earnings per share.

For the six months ended 30 June 2023 and three months and six months ended 30 June 2022, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic earnings/(loss) per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted earnings/(loss) per share. Therefore, the basic and diluted earnings/(loss) per share for the six months ended 30 June 2023 and three months and six months ended 30 June 2022 are equal.

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

	<b>Three months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(Loss)</b>		
Profit/(Loss) attributable to the owners of the Company, used in basic earnings/(loss) per share calculation	<b>4,889</b>	(3,300)
Adjustment of profit/(loss) attributable to the owners of the Company: Interest saving of the convertible bonds	<u><b>4,167</b></u>	<u>—*</u>
Profit/(Loss) attributable to the owners of the Company, used in the diluted earnings/(loss) per share calculation	<u><b>9,056</b></u>	<u>(3,300)</u>

<b>Three months ended 30 June</b>	
<b>2023</b>	2022
<b>(Unaudited)</b>	(Unaudited)
<b>'000</b>	'000
	(Restated)

**Share**

Weighted average number of ordinary shares for basic earnings/(loss) per share calculation (Notes a and b)	<b>71,654</b>	50,591
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	<u>173,687</u>	<u>—*</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share calculation (Notes a and b)	<u><b>245,341</b></u>	<u>50,591</u>

Notes:

- (a) the weighted average number of ordinary shares of 71,653,878 for the three months ended 30 June 2023 is derived from 63,091,461 in issue as at 1 April 2023, after taking into account the effects of the (i) conversion of New 2022 CB (Note 18) into 5,000,000 new ordinary shares of the Company on 13 April 2023; and (ii) placing of shares under general mandate (Note 19(f)) completed on 24 May 2023.
- (b) the weighted average number of ordinary shares of 50,591,461 (restated) for the three months ended 30 June 2022 is derived from 1,011,829,233 in issue as at 1 April 2022, after taking into account the effect of the Share Consolidation under Capital Reorganisation (as defined in Note 19(b)) with effect on 23 February 2023, and assuming the Capital Reorganisation had been completed on 1 April 2022.

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit/(Loss)</b>		
Profit/(Loss) attributable to the owners of the Company, used in basic earnings/(loss) per share calculation	<b>2,822</b>	(28,893)
Adjustment of profit/(loss) attributable to the owners of the Company: Interest saving of the convertible bonds	<u>—*</u>	<u>—*</u>
Profit/(Loss) attributable to the owners of the Company, used in the diluted earnings/(loss) per share calculation	<u><b>2,822</b></u>	<u>(28,893)</u>

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>'000</b>	'000
		(Restated)
<b>Share</b>		
Weighted average number of ordinary shares for basic earnings/(loss) per share calculation (Notes a and b)	<b>66,568</b>	50,591
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	<u>—*</u>	<u>—*</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share calculation (Notes a and b)	<u><b>66,568</b></u>	<u>50,591</u>

Notes:

- (a) the weighted average number of ordinary shares of 66,567,594 for the six months ended 30 June 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 (Note 18) into 100,000,000 new ordinary shares and 5,000,000 new ordinary shares of the Company on 31 January 2023 and 13 April 2023 respectively; (ii) the Share Consolidation under Capital Reorganisation with effect on 23 February 2023; and (iii) placing of shares under general mandate completed on 24 May 2023.
- (b) the weighted average number of ordinary shares of 50,591,461 (restated) for the six months ended 30 June 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.

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

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$29,000 (2022: approximately HK\$71,000). The Group has disposed of property, plant and equipment of approximately HK\$42,000 (2022: Nil) during the Interim Period.

## 12. RIGHT-OF-USE ASSETS

The Group obtains right to control the use of various office premises and staff quarters for its daily operation for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 16 years (as at 31 December 2022: 2 to 16 years). Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes.

During the Interim Period, the Group has no additions to right-of-use assets (2022: approximately HK\$1,506,000).

During the Interim Period, the total cash outflows for leases was approximately HK\$672,000 (2022: approximately HK\$779,000).

As at 30 June 2023, the weighted average effective interest rate for the lease liabilities of the Group was 3.48% per annum (as at 31 December 2022: 3.59%).

### ***COVID-19-related rent concessions***

During the three months and six months ended 30 June 2022, the Group was entitled six months rent-free period from January 2022 to June 2022 in respect of a lease in the PRC. There was no substantive change to other terms and conditions of the leases.

The amount recognised in profit or loss during the three months and six months ended 30 June 2022 to reflect changes in lease payments that arise from rent concessions is approximately HK\$115,000.

### 13. INVESTMENT PROPERTIES

	<b>Period from 1 January 2023 to 30 June 2023 (Unaudited) HK\$'000</b>	Year ended 31 December 2022 (Audited) HK\$'000
At the beginning of the reporting period	5,240	6,824
Disposals	(2,652)	–
Changes in fair value	–	(1,095)
Exchange realignments	(94)	(489)
	<u>2,494</u>	<u>5,240</u>
At the end of the reporting period	<u>2,494</u>	<u>5,240</u>

The Group's entire property interests were held under leases to earn rental income or for capital appreciation which were measured using fair value model and were classified and accounted for as investment properties. The Group's investment properties were located in the PRC.

### 14. REPOSSESSED ASSETS

During the Interim Period, the Group obtained an asset by taking possession of collaterals held as security in relation to a loan to a borrower. The nature and carrying value of the asset held as at the end of the reporting period are summarised as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Repossessed property – residential property in Beijing	<u>923</u>	<u>–</u>

The estimated market value of the repossessed asset held by the Group as at 30 June 2023 was approximately HK\$972,000. It comprises property in respect of which the Group has acquired access or control through court proceeding. The Group will proceed to dispose of the property within a reasonable time after possession, which is not expected to be within 12 months from the end of reporting period.

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
	Notes		
Unlisted equity investment	(a)	–	–
Listed equity investment	(b)	<u>408</u>	<u>575</u>
		<b><u>408</u></b>	<b><u>575</u></b>

Notes:

- (a) The unlisted equity investment that represented 0.192% equity interest in 億陽集團股份有限公司 (Yiyang Group Holdings Limited\*, “**Yiyang Group**”), a private entity incorporated in the PRC, which is principally engaged in a diversified business including but not limited to information technology, energy and resources and healthcare-related business. The entire interest of this unlisted equity investment was written off during the year ended 31 December 2021. No dividends were received on this unlisted equity investment during the Interim Period (2022: Nil).
- (b) The listed equity investment represents the investment in the listed equity securities in the Main Board of the Exchange. Upon the initial recognition of the listed equity investment, in the opinion of the directors of the Company, the investments are held for trading, and hence, they were classified as financial asset at FVTPL. The fair values of the listed equity investment is determined on the basis of quoted market price available on the Exchange at the end of reporting period and therefore classified as level 1 under fair value hierarchy. No dividends were received on this listed equity investment during the Interim Period (2022: Nil).

## 16. LOANS TO CUSTOMERS

		<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
	Note		
Principal and interest receivables:			
Pawn loans		<b>130,369</b>	171,322
Micro-credit loans		<b>102,135</b>	81,294
Distressed debt assets		<u>5,727</u>	<u>6,003</u>
Loans to customers, gross		<b>238,231</b>	258,619
Less: Loss allowance	16(b)	<u>(97,812)</u>	<u>(109,964)</u>
Loans to customers, net		<b><u>140,419</u></b>	<b><u>148,655</u></b>

\* English name is for identification purpose only

The loans to customers are arising from the Group's pawn loans, micro-credit loans and distressed debt assets management. They represented loan principal and interest receivables from pawn loans, micro-credit loans and distressed debt assets. The customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods granted to customers are mainly ranging from one month to one year.

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 ECLs.

**(a) Credit Quality Analysis**

Based on the requirements of HKFRS 9, credit quality analysis of loans to customers before loss allowance for ECLs as at the end of reporting period, is as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Neither overdue nor credit-impaired	<b>105,522</b>	96,920
Overdue but not credit-impaired		
– overdue within 30 days	<b>6,013</b>	18,076
– overdue 30 to 90 days	<b>11,630</b>	13,262
Overdue and credit-impaired		
– overdue more than 90 days	<b>115,066</b>	130,361
	<b>238,231</b>	258,619

The Group has adopted the ECLs model as required by HKFRS 9 since 1 January 2018 in assessing and measuring the loss allowance for the Group's loans to customers. As described in the above table, the management categorised the loans into mainly 3 categories: (a) neither overdue nor credit-impaired, (b) overdue but not credit-impaired and (c) overdue and credit-impaired. The management considered a number of factors in determining whether the loans are credit-impaired and concluded that, based on the Group's past experience in loan financing business and relevant forward looking information available to the Group, loans with more than 90 days past due are considered as credit-impaired.

The Group considers the past default experience of the debtor, general economic conditions of the industry in which the debtors operate, the value of collateral and an assessment of both the current as well as the forecast directions of conditions as at the reporting date.

The management reviews the individual outstanding loans at least semi-annually or more regularly when individual circumstances required. Collectively assessment on loss allowance for loans to customers are provided for portfolios of loans to customers with homogeneous collateral type while individually assessment on loss allowance for loans to customers are determined by an evaluation of the incurred loss on a case-by-case basis.

(b) *Movement of loss allowance for ECLs on loans to customers under HKFRS 9:*

	<b>Period from 1 January 2023 to 30 June 2023 (Unaudited) HK\$'000</b>	Year ended 31 December 2022 (Audited) HK\$'000
At the beginning of the reporting period	<b>109,964</b>	112,656
(Credited)/Charged to profit or loss	<b>(7,452)</b>	6,081
Exchange realignments	<b>(4,700)</b>	(8,773)
	<hr/>	<hr/>
At the end of the reporting period	<b><u>97,812</u></b>	<b><u>109,964</u></b>

Specifically, in estimating the amount of ECLs, the management uses various approaches taking into account (i) aging of the Group's loans to customers based on the categories as described above and (ii) the difference between the effective interest rate charged by the Group to the borrowers, which in the opinion of the management, reflects the market borrowing rate of the respective borrowers and the rate that the Group would charge to borrowers with low credit risk, which the management believes that the difference best reflects the Group's exposure credit risk. The Group also takes into account forward- looking information, e.g. the industry and business environment, etc. The Group has recognised loss allowance for ECLs, representing approximately 41.1% (as at 31 December 2022: approximately 42.5%) of the gross carrying amount, against all loans to customers as at 30 June 2023.

The Group's loss allowance for ECLs on loans to customers may also take into account the subsequent settlement, certain collateral valuation and the management's judgement on the marketability of the collateral properties and customers' capability of payment.

**17. AMOUNT DUE TO A DIRECTOR**

The amount due to a director is unsecured, interest-free and repayable on demand.

**18. CONVERTIBLE BONDS**

As part of the acquisition consideration upon the completion of the Group's acquisition of Prima Finance Holdings Limited and Sunny Bridge Investments Limited and its subsidiaries in 2014, the Company had issued zero-coupon convertible bonds with the principal amount of HK\$420,200,000 ("**2019 CB**") as part of the Initial Consideration (as defined in Annual Report 2015) to Exuberant Global Limited, Bustling Capital Limited and Time Prestige Holdings Limited (collectively, the "**vendors**") of Prima Finance Holdings Limited and Sunny Bridge Investments Limited and its subsidiaries. In 2015, the Company issued zero-coupon convertible bonds in the principal amount of HK\$236,000,000 ("**2020 CB**") to the Vendors.

On 13 April 2015, the holders of 2019 CB exercised his rights to convert the zero-coupon convertible bonds with the principal amount of HK\$33,000,000 into new ordinary shares of the Company.

On 9 January 2017, the holder of 2020 CB exercised his rights to convert the zero-coupon convertible bonds with the principal amount of HK\$42,000,000 into new ordinary shares of the Company.

On 20 February 2019, the Company executed the amendment deeds, to extend the maturity date of the 2019 CB by 3 years from 24 June 2019 to 24 June 2022 (“**2022 CB**”), and the 2020 CB by 3 years from 5 February 2020 to 5 February 2023 (“**2023 CB**”) (the “**Alteration**”). Save for the aforesaid Alteration, all other terms and conditions of the 2019 CB and the 2020 CB remain unchanged.

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has obtained the approval of the Alteration from the Exchange on 2 May 2019, which is subject to (i) shareholders’ approval on the amendment deeds; and (ii) fulfillment of all other conditions of the amendment deeds.

The amendment deeds and transactions contemplated thereunder are considered to be connected transactions of the Company which are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. As disclosed in the announcement of the Company dated 7 May 2019, the Company has obtained the approval from independent shareholders on the amendment deeds and transactions contemplated thereunder at the special general meeting held on 7 May 2019.

Details of the Alteration are set out in the Company’s announcements dated 20 February 2019 and 7 May 2019, and the circular of the Company dated 30 March 2019.

The conversion price of the convertible bonds is adjusted from HK\$0.35 per ordinary share to HK\$1.75 per ordinary share after taking into account the effect of the share consolidation effective on 8 April 2020.

On 6 January 2022, the Company has entered a redemption agreement with a holder of 2023 CB, which is an independent third party of the Company, 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.

On 24 June 2022, the remaining 2022 CB became mature and was no longer convertible into shares of the Company. Therefore, 2022 CB in an aggregate principal amount of HK\$99,840,000 and accrued interest of approximately HK\$4,992,000 were reclassified as bond payables which included in “Accrued expenses, other payables and deposits received”, and the remaining amount of convertible bonds reserve attributable to 2022 CB of approximately HK\$1,713,000 was transferred to accumulated losses.

On 21 July 2022, the Company issued 2 series of zero-coupon convertible bonds as all conditions precedent set out in each of the convertible bonds subscription agreements had been fulfilled, with respective principal amounts of HK\$99,840,000 due on 24 December 2023 (“**New 2022 CB**”) and HK\$185,400,000 due on 5 August 2024 (“**New 2023 CB**”). The conversion price of each of New 2022 CB and New 2023 CB is HK\$0.05 per ordinary share. The New 2022 CB and New 2023 CB were issued to settle the outstanding principal amounts of 2022 CB and 2023 CB, respectively (together referred to the “**Setting Off**”). After the issuance of New 2022 CB and New 2023 CB, the contractual obligations associated with 2022 CB and 2023 CB were discharged. The Setting Off is based on the terms of 2022 CB and 2023 CB, which allows early repurchase by the Company and is essentially an early redemption of 2022 CB and 2023 CB and there is no alternation of the terms to 2022 CB and 2023 CB except for the new conversion price and maturity dates of New 2022 CB and New 2023 CB.

As the discounted present value of the cash flows under the new terms, including any fees paid and discounted using the original effective interest rate, was more than 10% different from the discounted present value of the remaining cash flows of the financial liability, the directors of the Company consider the Setting Off constituted a significant modification and was accounted for as an extinguishment of the bond payables and the liability component of 2023 CB and the recognition of new financial liabilities of New 2022 CB and New 2023 CB.

The Group recognised a gain on extinguishment of bond payables and liability component of convertible bonds of approximately HK\$26,944,000 in profit or loss on 21 July 2022. As certain bond payables are entered with a shareholder of the Company, a deemed capital contribution of approximately HK\$13,006,000 was recognised in equity at the date of issuance of New 2022 CB.

The balance of the convertible bonds reserve for 2023 CB of approximately HK\$4,141,000 was transferred from the convertible bonds reserve to accumulated losses.

The recognition of New 2022 CB and New 2023 CB had accounted for approximately HK\$33,357,000 and approximately HK\$248,648,000 in the convertible bonds reserve and liability component of convertible bonds, respectively. The extinguishment of the bond payables (upon mature of 2022 CB) and 2023 CB resulted in the setting off of bond payables and liability component of 2023 CB of approximately HK\$104,832,000 and approximately HK\$183,766,000, respectively.

During the year ended 31 December 2022, the Company has entered redemption agreements with several holders of New 2022 CB and New 2023 CB to early redeem the zero-coupon convertible bonds with principal amount of HK\$39,006,000 and HK\$46,165,000, respectively, by cash settlement of approximately HK\$76,122,000. 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 2022 CB and New 2023 CB at initial recognition. At the date of redemption, a deemed capital contribution and gain on early redemption recognised in profit or loss, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK\$4,742,000 and approximately HK\$4,887,000, respectively, and the redemption prices allocated to the equity component of approximately HK\$9,155,000 were recognised in equity. Upon the redemption of New 2022 CB and New 2023 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed New 2022 CB and New 2023 CB of approximately HK\$1,084,000 was transferred from accumulated losses.

On 22 December 2022, part of the New 2022 CB at a conversion price of HK\$0.05 per share with principal amount of HK\$7,500,000 had been converted into 150,000,000 new ordinary shares of the Company.

On 31 January 2023, part of the New 2022 CB at a conversion price of HK\$0.05 per share with principal amount of HK\$5,000,000 had been converted into 100,000,000 new ordinary shares of the Company.

The conversion price of New 2022 CB and New 2023 CB is adjusted from HK\$0.05 per ordinary share to HK\$1.00 per ordinary share after taking into account the effect of the Share Consolidation under Capital Reorganisation effective on 23 February 2023.

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.

During the Interim Period, the Company has entered redemption agreements with several holders of New 2022 CB and New 2023 CB to early redeem the zero-coupon convertible bonds with principal amount of HK\$13,061,000 and HK\$26,786,000, respectively, by cash settlement of approximately HK\$37,711,000. 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 2022 CB and New 2023 CB at initial recognition. At the date of redemption, a deemed capital contribution and gain on early redemption recognised in profit or loss, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK\$1,839,000 and approximately HK\$2,875,000, respectively, and the redemption prices allocated to the equity component of approximately HK\$4,438,000 were recognised in equity. Upon the redemption of New 2022 CB and New 2023 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed New 2022 CB and New 2023 CB of approximately HK\$195,000 was transferred from accumulated losses.

As at 30 June 2023, the Company had 2 series of zero-coupon convertible bonds outstanding. Summary of the convertible bonds is as follows:

Series	Date of issue	Maturity date	Conversion price per share (HK\$)	Principal amount	Amount	Amount	Amount	Amount	Amount	Outstanding principal amount
				as at 1 January 2022 (Audited) (HK\$'000)	issued during the year (HK\$'000)	converted into shares during the year (HK\$'000)	redeemed during the year (HK\$'000)	matured during the year (HK\$'000)	settled during the year (HK\$'000)	as at 31 December 2022 (Audited) (HK\$'000)
2022 CB	25 June 2014	24 June 2022	1.75	99,840	—	—	—	(99,840)	—	—
2023 CB	6 February 2015	5 February 2023	1.75	194,000	—	—	(8,600)	—	(185,400)	—
New 2022 CB	21 July 2022	24 December 2023	0.05	—	99,840	(7,500)	(39,006)	—	—	53,334
New 2023 CB	21 July 2022	5 August 2024	0.05	—	185,400	—	(46,165)	—	—	139,235
				<u>293,840</u>	<u>285,240</u>	<u>(7,500)</u>	<u>(93,771)</u>	<u>(99,840)</u>	<u>(185,400)</u>	<u>192,569</u>

Series	Date of issue	Maturity date	Conversion price per share (Note) (HK\$)	Principal amount	Amount	Amount	Amount	Outstanding principal amount
				as at 1 January 2023 (Audited) (HK\$'000)	converted into shares during the Interim Period (HK\$'000)	redeemed during the Interim Period (HK\$'000)	as at 30 June 2023 (Unaudited) (HK\$'000)	
New 2022 CB	21 July 2022	24 December 2023	1.00	53,334	(10,000)	(13,061)	30,273	
New 2023 CB	21 July 2022	5 August 2024	1.00	139,235	—	(26,786)	112,449	
				<u>192,569</u>	<u>(10,000)</u>	<u>(39,847)</u>	<u>142,722</u>	

Note: the conversion price of New 2022 CB and New 2023 CB is adjusted from HK\$0.05 per ordinary share to HK\$1.00 per ordinary share after taking into account the effect of the Share Consolidation under Capital Reorganisation effective on 23 February 2023.

The conversion option of the convertible bonds is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the total fair value amount of the convertible bonds at the date of issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group.

The liability component of the convertible bonds is carried as a current liability and non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on New 2022 CB and New 2023 CB is calculated using effective interest rate ranging from 10.67% to 10.95% (year ended 31 December 2022: 10.67% to 10.95%) per annum.

The movements of above-mentioned convertible bonds were as follows:

	<b>Period from 1 January 2023 to 30 June 2023 (Unaudited) HK\$'000</b>	Year ended 31 December 2022 (Audited) HK\$'000
<b>Equity component</b>		
At the beginning of the reporting period	22,093	6,047
Early redemption of 2022 CB and 2023 CB	–	(193)
Transferred to accumulated losses upon mature of 2022 CB	–	(1,713)
Extinguishment of 2023 CB	–	(4,141)
Recognition of New 2022 CB and New 2023 CB	–	33,357
Early redemption of New 2022 CB and New 2023 CB	(4,633)	(10,239)
Conversion of New 2022 CB	(1,366)	(1,025)
<b>At the end of the reporting period</b>	<b>16,094</b>	<b>22,093</b>
<b>Liability component</b>		
At the beginning of the reporting period	174,987	281,198
Effective interest expenses of 2022 CB and 2023 CB	–	15,458
Early redemption of 2022 CB and 2023 CB	–	(8,058)
Transfer to bond payables upon mature of 2022 CB	–	(104,832)
Extinguishment of 2023 CB	–	(183,766)
Recognition of New 2022 CB and New 2023 CB	–	248,648
Effective interest expenses of New 2022 CB and New 2023 CB	8,546	10,027
Early redemption of New 2022 CB and New 2023 CB	(37,987)	(76,594)
Conversion of New 2022 CB	(9,666)	(7,094)
<b>At the end of the reporting period</b>	<b>135,880</b>	<b>174,987</b>
<b>Face value, at the end of the reporting period</b>	<b>142,722</b>	<b>192,569</b>

The liability portion of convertible bonds was analysed as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Current liabilities	<b>30,233</b>	50,588
Non-current liabilities	<b>105,647</b>	124,399
	<b><u>135,880</u></b>	<b><u>174,987</u></b>

## 19. SHARE CAPITAL

	Notes	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>			
As at 1 January 2022, ordinary shares of HK\$0.05 each		2,000,000	100,000
Increase in authorised share capital	(a)	<u>18,000,000</u>	<u>900,000</u>
As at 31 December 2022 and 1 January 2023, ordinary shares of HK\$0.05 each			
Share Consolidation	(b)	(19,000,000)	–
Sub-division	(b)	<u>99,000,000</u>	<u>–</u>
As at 30 June 2023, ordinary shares of HK\$0.01 each		<b><u>100,000,000</u></b>	<b><u>1,000,000</u></b>
<b>Issued and fully paid:</b>			
As at 1 January 2022, ordinary shares of HK\$0.05 each		1,011,829	50,591
Shares issued upon conversion of convertible bonds (Note 18)	(c)	<u>150,000</u>	<u>7,500</u>
As at 31 December 2022 and 1 January 2023, ordinary shares of HK\$0.05 each			
Shares issued upon conversion of convertible bonds (Note 18)	(d)	100,000	5,000
Share Consolidation	(b)	(1,198,738)	–
Capital Reduction	(b)	–	(62,460)
Shares issued upon conversion of convertible bonds (Note 18)	(e)	5,000	50
Placing of shares under general mandate	(f)	<u>10,110</u>	<u>101</u>
As at 30 June 2023, ordinary shares of HK\$0.01 each		<b><u>78,201</u></b>	<b><u>782</u></b>

Notes:

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting on 28 June 2022, the authorised share capital of the Company was increased from HK\$100,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.05 each (each a “**Share**”) to HK\$1,000,000,000 divided into 20,000,000,000 Shares by the creation of an additional 18,000,000,000 Shares.
- (b) Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 21 February 2023, a capital reorganisation (the “**Capital Reorganisation**”) became effective on 23 February 2023, which involved the following:
- i) every 20 existing shares were consolidated into 1 consolidated share (the “**Share Consolidation**”);
  - ii) the issued share capital of the Company was 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 was reduced from HK\$1.0 to HK\$0.01 (the “**Capital Reduction**”);
  - iii) each authorised but unissued consolidated share of HK\$1.0 (including the unissued shares arising from the Capital Reduction) was sub-divided into 100 new shares of HK\$0.01 each (the “**Sub-division**”); and
  - iv) the transfer of all the credits arising from the Capital Reduction to the contributed surplus account of the Company.

On 23 February 2023, the Company has 63,091,461 consolidated shares in issue and a credit of approximately HK\$62,460,000 arising from the Capital Reduction was transferred to the contributed surplus account of the Company.

Upon the Capital Reorganisation became effective on 23 February 2023, the authorised share capital of the Company remains at HK\$1,000,000,000, which is divided into 100,000,000,000 ordinary shares and the conversion price of New 2022 CB and New 2023 CB is adjusted from HK\$0.05 per ordinary share to HK\$1.00 per ordinary share after taking into account the effect of the Share Consolidation under Capital Reorganisation.

- (c) On 22 December 2022, convertible bonds with principal amount of HK\$7,500,000 have been converted into 150,000,000 new ordinary shares of the Company at a conversion price of HK\$0.05 per share.
- (d) On 31 January 2023, convertible bonds with principal amount of HK\$5,000,000 have been converted into 100,000,000 new ordinary shares of the Company at a conversion price of HK\$0.05 per share.
- (e) On 13 April 2023, convertible bonds with principal amount of HK\$5,000,000 have been converted into 5,000,000 new ordinary shares of the Company at a conversion price of HK\$1 per share.
- (f) On 5 May 2023, the Company and a placing agent entered into a placing agreement to subscribe 10,110,000 ordinary shares at the placing price of HK\$0.42 per share. The new shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 6 May 2022. The 10,110,000 new ordinary shares, with par value of HK\$0.01 each, were placed to not less than six independent placees on 24 May 2023 with gross proceeds of approximately HK\$4,246,000. The amount of approximately HK\$4,018,000, which represented the premium on the issue of shares of approximately HK\$4,145,000, net of share issue expenses of approximately HK\$127,000, was credited to the Company’s share premium accounts.

## 20. OPERATING LEASE COMMITMENTS

### As Lessee

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 years (as at 31 December 2022: 1 to 16 years). None of the leases includes contingent rentals.

As at 30 June 2023 and 31 December 2022, the Group did not have any future minimum lease payments under non-cancellable operating leases falling due.

## 21. FAIR VALUE MEASUREMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

### (a) *Financial instruments measured at fair value*

As at the end of the reporting period, the financial instruments measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	<b>Fair value at 30 June 2023 HK\$'000</b>	<b>Fair value measurements as at 30 June 2023 categorised into</b>		
		<b>Level 1 HK\$'000</b>	<b>Level 2 HK\$'000</b>	<b>Level 3 HK\$'000</b>
<b>Assets:</b>				
Listed equity investment at FVTPL	<u>408</u>	<u>408</u>	<u>–</u>	<u>–</u>
	Fair value at 31 December 2022 HK\$'000	Fair value measurements as at 31 December 2022 categorised into Level 1 Level 2 Level 3 HK\$'000 HK\$'000 HK\$'000 HK\$'000		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets:</b>				
Unlisted equity investment at FVTOCI	–	–	–	–
Listed equity investment at FVTPL	<u>575</u>	<u>575</u>	<u>–</u>	<u>–</u>

During the Interim Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movement in the fair value measurement in level 1 is as follows:

Listed investment:

	<b>Period from 1 January 2023 to 30 June 2023 (Unaudited) HK\$'000</b>	Year ended 31 December 2022 (Audited) HK\$'000
At the beginning of the reporting period	575	5,626
Additions during the reporting period	–	3,511
Fair value loss recognised in profit or loss	<u>(167)</u>	<u>(8,562)</u>
At the end of the reporting period	<b><u>408</u></b>	<b><u>575</u></b>

The movement in the fair value measurement in level 3 is as follows:

Unlisted investment:

	<b>Period from 1 January 2023 to 30 June 2023 (Unaudited) HK\$'000</b>	Year ended 31 December 2022 (Audited) HK\$'000
At the beginning of the reporting period	–	8,576
Disposal	–	(8,456)
Exchange realignments	<u>–</u>	<u>(120)</u>
At the end of the reporting period	<b><u>–</u></b>	<b><u>–</u></b>

The movements in the investment properties under Level 3 fair value measurements during the Interim Period are presented in Note 13. Fair value adjustment on investment properties, if any, is recognised in the line item “fair value gains on investment properties” on the face of the unaudited condensed consolidated income statement.

**(b) Financial instruments not measured at fair value**

The carrying amounts of the Group's financial instruments carried at cost or amortised costs were not materially different from their fair values as at the end of the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

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

The Group recorded total revenue for the Interim Period of approximately HK\$21,466,000 (2022: approximately HK\$24,558,000), representing a decrease of approximately HK\$3,092,000 as compared with the corresponding period last year. This decrease was mainly attributable to the combination of two factors. Firstly, the Group recorded approximately HK\$9,737,000 in settlement gain from distressed debts assets from short term financing services as a result of the recovery of principal and interest expenses receivables from several distressed debts assets during the six months ended 30 June 2022, while no such income was recorded during the Interim Period. Secondly, there was an increase of approximately HK\$6,645,000 in interest income from short-term financing services during the Interim Period. This increase was mainly due to the fact that the COVID-19 pandemic has gradually waned in 2023 following China's relaxation of the COVID-19 restrictions since December 2022.

Other income and other gains and losses, net for the Interim Period was approximately HK\$4,485,000 (2022: approximately HK\$607,000), which represents a significant increase of approximately HK\$3,878,000 when compared with the corresponding period of 2022, mainly attributable to the increase in the gain on early redemption of convertible bonds by approximately HK\$4,411,000 for the Interim Period.

The administrative and other expenses for the Interim Period decreased by approximately HK\$2,801,000 to approximately HK\$15,122,000 (2022: approximately HK\$17,923,000).

The Group recorded a fair value loss on financial assets at FVTPL for the Interim Period of approximately HK\$167,000 (2022: HK\$8,439,000), representing a decrease in unrealised loss recognised from the listed equity investments of approximately HK\$8,272,000 as compared with corresponding period of 2022.

The finance costs for the Interim Period decreased by approximately HK\$5,874,000 to approximately HK\$8,631,000 (2022: approximately HK\$14,505,000) was mainly due to partial redemption of convertible bonds by the Group and the conversion of the convertible bonds by the convertible bonds holders of the Group during the year ended 31 December 2022 and the Interim Period.

The Group recorded reversal of loss allowance for ECLs on loans to customers for the Interim Period of approximately HK\$7,452,000 (2022: charge of loss allowance for ECLs of approximately HK\$7,380,000), representing a decrease in charge of loss allowance of approximately HK\$14,832,000 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 profit attributable to the owners of the Company for the Interim Period was approximately HK\$2,822,000 (2022: loss attributable to the owners of the Company of approximately HK\$28,893,000). The turnaround from loss to profit was mainly attributable to the effect of decrease in charge of loss allowance for ECLs on loans to customers, fair value loss on financial assets at FVTPL and finance costs 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.

\* *English name is for identification purpose only*

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

During the Interim Period, 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**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2023, the Group had other debt which is liability component of convertible bonds of approximately HK\$135,880,000 (as at 31 December 2022: 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 30 June 2023, the Group had cash and cash equivalents of approximately HK\$78,503,000 (as at 31 December 2022: approximately HK\$105,158,000) which are mainly denominated in HK\$ and RMB. To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and external fund raising activities from the capital market.

As at 30 June 2023, the gearing ratio for the Group was approximately 2.2 (as at 31 December 2022: approximately 2.9), calculated based on the total debts of approximately HK\$135,880,000 (as at 31 December 2022: approximately HK\$174,987,000) over shareholder's equity of approximately HK\$62,677,000 (as at 31 December 2022: approximately HK\$60,250,000). The debt ratio was approximately 0.60 (as at 31 December 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 shareholders, issue new shares or sell assets to reduce debt.

## **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	<u>2,784,700,000</u>	<u>HK\$0.05</u>	<u>139,235,000</u>	<u>HK\$1.0</u>

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.

## CAPITAL STRUCTURE

The capital structure of the Group during the Interim Period is summarised as follows:

### (i) Bank Borrowings

There was no bank borrowings outstanding as at 30 June 2023 and 31 December 2022.

### (ii) Convertible Bonds

As at 30 June 2023, the Company had 2 series of zero-coupon convertible bonds, New 2022 CB and New 2023 CB (the definition and its details are set out in Note 18 to the unaudited condensed consolidated financial statements). 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 Interim Period (HK\$)	Amount redeemed during the Interim Period (HK\$)	Outstanding principal amount as at 30 June 2023 (HK\$)	Number of shares to be issued upon full conversion as at 30 June 2023
21 July 2022	53,334,000	24 December 2023	1.0	(10,000,000)	(13,061,000)	30,273,000	30,273,000
21 July 2022	139,235,000	5 August 2024	1.0	–	(26,786,000)	112,449,000	112,449,000

## 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 placing 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 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.

## 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 on 5 May 2023 was approximately HK\$4,119,000. Up to 30 June 2023, the Group has utilised the net proceeds as follows:

	<b>Intended use of net proceeds HK\$’000</b>	<b>Actual use of net proceeds up to 30 June 2023 HK\$’000</b>	<b>Unutilised net proceeds up to the date of this announcement HK\$’000</b>
Settlement of outstanding short-term liabilities of the Company	<u>4,119</u>	<u>4,119</u>	<u>–</u>

## **FOREIGN EXCHANGE EXPOSURE**

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 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.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 June 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 30 June 2023, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

## **CHARGE OF GROUP ASSETS**

As at 30 June 2023 and 31 December 2022, the Group did not have any assets under charged.

## **EMPLOYEE INFORMATION AND REMUNERATION POLICY**

As at 30 June 2023, the Group employed a total of 44 employees (as at 31 December 2022: 49). 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-ended bonus 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 its employees. Staff costs, excluding Directors' emoluments, for the Interim Period amounted to approximately HK\$7,743,000 (30 June 2022: approximately HK\$8,797,000).

The share option scheme of the Company expired on 2 August 2022 and the Group has no other share schemes. The Company would consider 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.

## CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liability (31 December 2022: Nil).

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

As at 30 June 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) (“SFO”) which (i) were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Positions in the Shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Zhang Wei	Beneficial owner	6,268,896	8.01
Ms. Li Wei	Beneficial owner	3,532,640	4.51
Mr. Mang Sheung Lok	Beneficial owner	13,000,000	16.62

Note: The percentage represents the number of shares interested divided by the number of the issued shares as at 30 June 2023 (i.e. 78,201,461 shares).

Save for disclosed above, as at 30 June 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 Company and the Exchange pursuant to the Model Code (as defined below).

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Interim 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 Interim 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 30 June 2023, the following companies and persons (other than a director or chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above) had interests in more than 5% of the Company's issued share capital:

### Long Positions in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share of the Company (Note 4)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	106,049,000	–	106,049,000	135.60
Mr. Dai Di (Note 1)	–	106,049,000	106,049,000	135.60
Bustling Capital Limited (Note 2)	30,273,000	–	30,273,000	38.71
Ms. Jin Yu (Note 2)	–	30,273,000	30,273,000	38.71
Mr. Dai Hao (Notes 2 and 3)	–	30,273,000	30,273,000	38.71
Mr. Chow Hung Shen Andrew	5,000,000	–	5,000,000	6.39
Mr. Chu Chun Kit	7,871,500	–	7,871,500	10.06

Notes:

1. The 106,049,000 shares held by Exuberant Global Limited (“**Exuberant Global**”) represent 106,049,000 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 106,049,000 shares held by Exuberant Global.
2. The 30,273,000 shares held by Bustling Capital Limited (“**Bustling Capital**”) represent 30,273,000 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 30,273,000 shares.
3. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 30,273,000 shares held by Bustling Capital.
4. The percentage represents the number of shares interested divided by the number of the issued shares as at 30 June 2023 (i.e. 78,201,461 shares).

Save as disclosed above, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who, as at 30 June 2023, had an interest or a short position in the shares, underlying shares or debentures 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.

## **SHARE OPTION SCHEME**

The Company’s share option scheme (the “**Share Option Scheme**”) expired on 2 August 2022 and there are no other share schemes currently in force.

As at 30 June 2023, there was no outstanding share option under the Share Option Scheme.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct for securities transactions by the Directors on terms no less exacting than 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 Interim Period.

## CHANGES IN DIRECTORS' INFORMATION

Subsequent to the date of the annual report for the year ended 31 December 2022 of the Company, the changes in the Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

<b>Name of Director(s)</b>	<b>Details of Changes</b>
Mr. Zhang Wei	– Ceased to be the general manager of 北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited*, “ <b>Beijing Wanchi</b> ”), an indirect wholly owned subsidiary of the Group, and appointed as the general manager of 北京華園四方資產管理有限公司 (Beijing Huayuan Sifang Asset Management Company Limited, “ <b>Beijing Huayuan Sifang</b> ”), an indirect non-wholly owned subsidiary of the Group, with effect from 1 June 2023.
Ms. Li Wei	– Ceased to be the director of Beijing Wanchi and appointed as the director of Beijing Huayuan Sifang with effect from 1 June 2023.  – Director's fee be adjusted from HK\$696,000 per annum to HK\$61,800 per annum with effect from 1 July 2023, with discretionary bonus remaining unchanged.
Mr. Chan Ngai Fan	– Resigned as an independent non-executive director of Contel Technology Company Limited (stock code: 1912), a company listed on the Main Board of the Exchange, since 30 June 2023.

## INTERESTS IN A COMPETING BUSINESS

During the Interim 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 Interim Period.

\* *English name is for identification purpose only*

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. Throughout the Interim Period, the Company has complied with all the code provisions set out in Appendix 15 Corporate Governance Code (the “**CG Code**”) of the GEM Listing Rules with the exception of the following deviation:

### **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 chairman and chief executive officer of the Company (the “**CEO**”) on 1 December 2015. Given the size and the stability of the Group’s current business operations and administration, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the chairman and the CEO if the situation warrants it.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

## **AUDIT COMMITTEE**

The unaudited condensed consolidated financial statements of the Group for the Interim 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, 11 August 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>.*