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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 2019**

#### **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 of the Company, 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 consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 together with comparative figures for the year ended 31 December 2018 as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	<u>62,550</u>	<u>85,721</u>
Other income and other gains and losses, net	4	1,875	18,065
Administrative and other expenses		(41,372)	(37,882)
Reversal/(Charge) of loss allowance for expected credit loss on loans to customers		3,010	(41,069)
Fair value gains on investment properties		3,108	—
Finance costs	6	<u>(49,379)</u>	<u>(48,005)</u>
<b>Loss before income tax</b>	6	<b>(20,208)</b>	(23,170)
Income tax expenses	7	<u>(10,946)</u>	<u>(6,122)</u>
<b>Loss for the year</b>		<b><u>(31,154)</u></b>	<b><u>(29,292)</u></b>
<b>Loss for the year attributable to:</b>			
Owners of the Company		(36,849)	(29,625)
Non-controlling interests		<u>5,695</u>	<u>333</u>
		<b><u>(31,154)</u></b>	<b><u>(29,292)</u></b>
<b>Loss per share attributable to owners of the Company</b>	9		
Basic and diluted (Hong Kong cents)		<u>(2.83)</u>	<u>(2.28)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the year</b>	<b><u>(31,154)</u></b>	<b><u>(29,292)</u></b>
<b>Other comprehensive (expense)/income for the year</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
– Changes in fair value of equity investment at fair value through other comprehensive income (“FVTOCI”)	<u>(1,986)</u>	<u>30</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	<u>(10,294)</u>	<u>(26,889)</u>
<b>Other comprehensive expense for the year, net of tax</b>	<b><u>(12,280)</u></b>	<b><u>(26,859)</u></b>
<b>Total comprehensive expense for the year</b>	<b><u>(43,434)</u></b>	<b><u>(56,151)</u></b>
<b>Total comprehensive expense attributable to:</b>		
Owners of the Company	(48,909)	(55,719)
Non-controlling interests	<u>5,475</u>	<u>(432)</u>
	<b><u>(43,434)</u></b>	<b><u>(56,151)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>746</b>	1,288
Right-of-use assets		<b>7,377</b>	—
Investment properties		<b>8,112</b>	—
Intangible assets	<i>11</i>	—	—
Goodwill	<i>12</i>	—	—
Repossessed assets		—	2,190
Equity investment at FVTOCI		<b>4,850</b>	6,934
Deferred tax assets		<b>25,759</b>	26,890
		<u><b>46,844</b></u>	<u>37,302</u>
<b>Current assets</b>			
Loans to customers	<i>13</i>	<b>289,399</b>	299,753
Tax recoverables		—	355
Prepayment, deposits and other receivables		<b>1,156</b>	2,963
Cash and cash equivalents		<b>238,076</b>	193,406
		<u><b>528,631</b></u>	<u>496,477</u>
<b>Current liabilities</b>			
Accrued expenses, other payables and deposits received		<b>13,445</b>	11,457
Tax payables		<b>3,542</b>	5,185
Amount due to a shareholder		<b>474</b>	499
Promissory notes		<b>20,279</b>	—
Convertible bonds — liability component		—	390,439
Lease liabilities		<b>1,584</b>	—
		<u><b>39,324</b></u>	<u>407,580</u>
<b>Net current assets</b>		<u><b>489,307</b></u>	<u>88,897</u>
<b>Total assets less current liabilities</b>		<u><b>536,151</b></u>	<u>126,199</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***AS AT 31 DECEMBER 2019*

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Promissory notes	—	20,098
Convertible bonds — liability component	<b>461,025</b>	183,178
Lease liabilities	<b>4,139</b>	—
	<u><b>465,164</b></u>	<u>203,276</u>
<b>Net assets/(liabilities)</b>	<u><b>70,987</b></u>	<u>(77,077)</u>
<b>Capital and reserves</b>		
Issued capital	<b>13,012</b>	13,012
Reserves	<b>8,355</b>	(102,491)
Equity attributable to owners of the Company	<b>21,367</b>	(89,479)
Non-controlling interests	<b>49,620</b>	12,402
<b>Total equity/(Capital deficiency)</b>	<u><b>70,987</b></u>	<u>(77,077)</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										Non-controlling interests	(Capital deficiency)/ 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 31 December 2017 as originally presented	13,012	616,828	131,109	120,794	(48,927)	713,306	—	21,042	(1,543,282)	23,882	16,225	40,107
Initial application of HKFRS 9	—	—	—	—	—	—	(1,123)	—	(56,519)	(57,642)	(1,244)	(58,886)
Restated as at 1 January 2018	13,012	616,828	131,109	120,794	(48,927)	713,306	(1,123)	21,042	(1,599,801)	(33,760)	14,981	(18,779)
Loss for the year	—	—	—	—	—	—	—	—	(29,625)	(29,625)	333	(29,292)
<b>Other comprehensive expense</b>												
<i>Item that will not be reclassified to profit or loss</i>												
Changes in fair value of equity investment at FVTOCI	—	—	—	—	—	—	30	—	—	30	—	30
<i>Item that may be reclassified subsequently to profit or loss</i>												
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(26,124)	—	—	—	—	(26,124)	(765)	(26,889)
Other comprehensive expense for the year	—	—	—	—	(26,124)	—	30	—	—	(26,094)	(765)	(26,859)
Total comprehensive expense for the year	—	—	—	—	(26,124)	—	30	—	(29,625)	(55,719)	(432)	(56,151)
Transfer to statutory reserve	—	—	—	—	—	—	—	1,325	(1,325)	—	—	—
<b>Transaction with owners</b>												
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(2,147)	(2,147)
Transaction with owners	—	—	—	—	—	—	—	—	—	—	(2,147)	(2,147)
As at 31 December 2018	13,012	616,828	131,109	120,794	(75,051)	713,306	(1,093)	22,367	(1,630,751)	(89,479)	12,402	(77,077)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2019

	Attributable to owners of the Company										(Capital deficiency)/ Total equity HK\$'000	
	Issued capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000	Capital reserve* HK\$'000	Exchange reserve* HK\$'000	Convertible bonds reserve* HK\$'000	FVTOCI reserve* HK\$'000	Statutory reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000		Non- controlling interests HK\$'000
As at 31 December 2018 as originally presented	13,012	616,828	131,109	120,794	(75,051)	713,306	(1,093)	22,367	(1,630,751)	(89,479)	12,402	(77,077)
Initial application of HKFRS 16 (Note 3)	—	—	—	—	—	—	—	—	(200)	(200)	(5)	(205)
Restated as at 1 January 2019	<u>13,012</u>	<u>616,828</u>	<u>131,109</u>	<u>120,794</u>	<u>(75,051)</u>	<u>713,306</u>	<u>(1,093)</u>	<u>22,367</u>	<u>(1,630,951)</u>	<u>(89,679)</u>	<u>12,397</u>	<u>(77,282)</u>
Loss for the year	—	—	—	—	—	—	—	—	(36,849)	(36,849)	5,695	(31,154)
<b>Other comprehensive expense</b>												
<i>Item that will not be reclassified to profit or loss</i>												
Changes in fair value of equity investment at FVTOCI	—	—	—	—	—	—	(1,986)	—	—	(1,986)	—	(1,986)
<i>Item that may be reclassified subsequently to profit or loss</i>												
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(10,074)	—	—	—	—	(10,074)	(220)	(10,294)
Other comprehensive expense for the year	—	—	—	—	(10,074)	—	(1,986)	—	—	(12,060)	(220)	(12,280)
Total comprehensive expense for the year	—	—	—	—	(10,074)	—	(1,986)	—	(36,849)	(48,909)	5,475	(43,434)
Transfer to statutory reserve	—	—	—	—	—	—	3,196	(3,196)	—	—	—	—

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2019

	Attributable to owners of the Company										Non-controlling interests	(Capital deficiency)/ 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
<b>Transactions with owners</b>												
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(2,332)	(2,332)
Deemed capital contribution arising from liability portion of convertible bonds	—	—	—	159,955	—	—	—	—	—	159,955	—	159,955
Extinguishment of the 2019 CB and 2020 CB	—	—	—	—	—	(713,306)	—	—	713,306	—	—	—
Recognition of the 2022 CB and 2023 CB	—	—	—	—	—	10,978	—	—	(10,978)	—	—	—
Non-controlling interests arising from acquisition of subsidiary	—	—	—	—	—	—	—	—	—	—	34,080	34,080
Transactions with owners	—	—	—	159,955	—	(702,328)	—	—	702,328	159,955	31,748	191,703
As at 31 December 2019	<u>13,012</u>	<u>616,828</u>	<u>131,109</u>	<u>280,749</u>	<u>(85,125)</u>	<u>10,978</u>	<u>(3,079)</u>	<u>25,563</u>	<u>(968,668)</u>	<u>21,367</u>	<u>49,620</u>	<u>70,987</u>

\* These reserves accounts comprise the consolidated reserves of approximately HK\$8,355,000 (2018: consolidated deficits of approximately HK\$102,491,000) in the consolidated statement of financial position.



Notes:

## 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.

During the year ended 31 December 2019, 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 2018 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and 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:

#### *Annual Improvements Project – 2015-2017 Cycle*

HKFRS 3: Previously held interest in a joint operation

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

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

#### HKFRS 11: Previously held interest in a joint operation

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

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

#### HKAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

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

#### HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

#### HK(IFRIC) — Int 23: Uncertainty over Income Tax Treatments

HK(IFRIC) — Int 23 supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of HK(IFRIC) — Int 23 does not have any significant impact on the consolidated financial statements.

#### Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

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

## Amendments to HKAS 28 Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using HKFRS 9.

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

## Amendments to HKFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss if specified conditions are met.

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

## HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time as at 1 January 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated losses or other component of equity, where appropriate, at the DIA.

### As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group’s accounting policies applicable from the DIA.

### As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value and applied the following practical expedients on a lease-by-lease basis.

- (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.
- (c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.
- (d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
- (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

- (a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or
- (b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 4.14%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	<i>HK\$'000</i>
Operating lease commitments as at 31 December 2018	10,492
Discounted using the lessee's incremental borrowing rate at the DIA and lease liabilities as at 1 January 2019	7,092

The impacts for the initial adoption of HKFRS 16 are as follows:

	<b>31 December 2018</b>	<b>Adjustments</b>	<b>1 January 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Right-of-use assets	–	7,963	7,963
<b>Current assets</b>			
Prepayments, deposits and other receivables	2,963	(1,076)	1,887
<b>Non-current liabilities</b>			
Lease liabilities	–	4,048	4,048
<b>Current liabilities</b>			
Lease liabilities	–	3,044	3,044
<b>Reserves</b>			
Accumulated losses	(1,630,751)	(200)	(1,630,951)
Non-controlling interests	12,402	(5)	12,397

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

#### **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 HKASs 1 and 8	Definition of Material <sup>[1]</sup>
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform <sup>[1]</sup>
Amendments to HKFRS 3	Definition of a Business <sup>[2]</sup>
HKFRS 17	Insurance Contracts <sup>[3]</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>[4]</sup>

<sup>[1]</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>[2]</sup> Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>[3]</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>[4]</sup> 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 these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

#### 4. 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>		
<b>Revenue from other sources</b>		
Interest income from loans to customers	60,878	73,276
Settlement gain from distressed debt assets classified in loans to customers	<u>1,553</u>	<u>—</u>
	62,431	73,276
<b>Revenue from contracts with customers within HKFRS 15</b>		
Financial consultancy income	<u>119</u>	<u>12,445</u>
Short-term financing services income	<u>62,550</u>	<u>85,721</u>
<b>Other income and other gains and losses, net</b>		
Bank interest income	1,332	1,089
Waive of interest expenses on promissory notes*	—	3,200
Gain/(Loss) on disposal of property, plant and equipment	40	(31)
Investment income	—	1,183
Recovery of bad debts#	—	12,570
Rental income	20	—
Sundry income	<u>483</u>	<u>54</u>
	<u>1,875</u>	<u>18,065</u>

\* During the year ended 31 December 2018, the Group negotiated with the holder of promissory notes, which is an independent third party (the “**Holder**”) to the Group, in relation to the waiver arrangement. Pursuant to the agreement, the Holder agreed to irrevocably and unconditionally waive the coupon interest on promissory notes for two financial years of 2017 and 2018.

# The amount represented the bad debts relating to loans to customers written off in previous years subsequently recovered during the year ended 31 December 2018.

The revenue from contracts with customers within HKFRS 15 for financial consultancy income generated by the Group was recognised over time during the years ended 31 December 2019 and 2018.

## 5. 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 financial instruments and deferred tax assets ("Specified non-current assets"):

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		As at 31 December	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong	—	—	2,745	338
PRC	<u>62,550</u>	<u>85,721</u>	<u>13,490</u>	<u>3,140</u>
	<u>62,550</u>	<u>85,721</u>	<u>16,235</u>	<u>3,478</u>

The customer base in short-term financing services segment is diversified. There is no customer individually contributed to 10% or more of the Group's revenue for the year ended 31 December 2019 (2018: one customer with revenue of approximately HK\$11,189,000).

## 6. LOSS BEFORE INCOME TAX

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

	<i>Note</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>Finance costs</b>			
Effective interest expenses on			
— convertible bonds		<b>47,363</b>	46,239
— promissory notes		<b>1,781</b>	1,766
Interest on lease liabilities		<b>235</b>	—
		<b>49,379</b>	<b>48,005</b>
<b>Other items</b>			
Staff costs (excluding directors' emoluments)			
Salaries, allowance and other benefits		<b>17,189</b>	16,075
Pension scheme contributions		<b>2,000</b>	1,986
		<b>19,189</b>	<b>18,061</b>
Auditor's remuneration			
— Audit services		<b>943</b>	878
— Non-audit services		<b>473</b>	—
Depreciation of property, plant and equipment	<i>10</i>	<b>531</b>	621
Depreciation of right-of-use assets		<b>3,211</b>	—
Minimum lease payments under operating leases for			
land and buildings		—	3,820
Exchange difference, net		<b>58</b>	<b>(458)</b>



## 7. INCOME TAX EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Current income tax</b>		
PRC		
Current tax charge for the year	9,529	12,032
Over-provision in respect of prior years	<u>—</u>	<u>(225)</u>
	9,529	11,807
<b>Withholding tax on dividends</b>	1,136	2,267
<b>Deferred tax charged/(credited)</b>	<u>281</u>	<u>(7,952)</u>
Income tax expenses	<u><b>10,946</b></u>	<u><b>6,122</b></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 the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax under these jurisdictions.

For the year ended 31 December 2019, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong (2018: 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% (2018: 25%). Pursuant to the relevant laws and implementation rules announced by the People’s Government of the Tibet Autonomous Region, Lhasa Jiade Financial Consultant Company Limited, a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the years ended 31 December 2019 and 2018. According to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises issued by Ministry of Finance and the State Administration of Taxation, the taxable income in year ended 31 December 2019 of certain subsidiaries of the Group established in the PRC, is expected to be less than Renminbi (“RMB”) 3 million, which satisfies the provisions of the notice above. During the year ended 31 December 2019, the part of taxable income that is not in excess of RMB1 million is reduced to 25% of original total taxable income, and the applicable EIT rate is 20%. Additionally, the part of taxable income that is between RMB1 million and RMB3 million is reduced to 50% of original total taxable income, and the applicable EIT rate is 20%.

Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 10% (2018: 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:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss before income tax	<u>(20,208)</u>	<u>(23,170)</u>
Tax calculated at the rates applicable to the tax jurisdiction concerned	<b>334</b>	(4,477)
Tax effect on income not taxable for tax purpose	<b>(449)</b>	(708)
Tax effect on expenses not deductible for tax purpose	<b>11,256</b>	10,604
Tax concession received	<b>(1,331)</b>	—
Over-provision in respect of prior years	—	(225)
Utilisations of tax losses	—	(1,339)
Withholding tax on dividends	<u><b>1,136</b></u>	<u>2,267</u>
Income tax expenses for the year	<u><b>10,946</b></u>	<u>6,122</u>

## 8. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2019 (2018: Nil). The Directors do not recommend for payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share for the current year and prior year are 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 are 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 2019, as the Company's outstanding convertible bonds had an anti-dilutive (2018: 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 2019 are equal (2018: equal).

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculations	<u>(36,849)</u>	<u>(29,625)</u>
	<b>Number of shares</b>	
	<b>2019</b> <i>'000</i>	2018 <i>'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares for basic and diluted loss per share calculations	<u>1,301,118</u>	<u>1,301,118</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>				
As at 1 January 2018	506	1,899	951	3,356
Additions	—	201	139	340
Disposal/Written off	—	(120)	(166)	(286)
Exchange realignments	—	(72)	(48)	(120)
As at 31 December 2018 and 1 January 2019	506	1,908	876	3,290
Additions	—	53	—	53
Disposal/Written off	—	(67)	(284)	(351)
Exchange realignments	—	(25)	(12)	(37)
<b>As at 31 December 2019</b>	<b><u>506</u></b>	<b><u>1,869</u></b>	<b><u>580</u></b>	<b><u>2,955</u></b>
<b>Accumulated depreciation</b>				
As at 1 January 2018	164	877	647	1,688
Disposal/Written off	—	(83)	(158)	(241)
Charge for the year	179	386	56	621
Exchange realignments	—	(37)	(29)	(66)
As at 31 December 2018 and 1 January 2019	343	1,143	516	2,002
Disposal/Written off	—	(32)	(269)	(301)
Charge for the year	163	289	79	531
Exchange realignments	—	(16)	(7)	(23)
<b>As at 31 December 2019</b>	<b><u>506</u></b>	<b><u>1,384</u></b>	<b><u>319</u></b>	<b><u>2,209</u></b>
<b>Net carrying amount</b>				
<b>As at 31 December 2019</b>	<b><u>—</u></b>	<b><u>485</u></b>	<b><u>261</u></b>	<b><u>746</u></b>
As at 31 December 2018	<u>163</u>	<u>765</u>	<u>360</u>	<u>1,288</u>

## 11. INTANGIBLE ASSETS

	<b>Pawn Licences</b> <i>HK\$'000</i>
<b>Cost</b>	
As at 1 January 2018	160,251
Exchange realignments	<u>(8,302)</u>
As at 31 December 2018 and 1 January 2019	151,949
Exchange realignments	<u>(2,816)</u>
<b>As at 31 December 2019</b>	<b><u>149,133</u></b>
<b>Accumulated amortisation and impairment losses</b>	
As at 1 January 2018	160,251
Exchange realignments	<u>(8,302)</u>
As at 31 December 2018 and 1 January 2019	151,949
Exchange realignments	<u>(2,816)</u>
<b>As at 31 December 2019</b>	<b><u>149,133</u></b>
<b>Net carrying amount</b>	
<b>As at 31 December 2019</b>	<b><u>—</u></b>
As at 31 December 2018	<u>—</u>

### **Pawn Licences**

Pawn Licences represented the operating licences of the Pawn Broker Business (as defined in the Company's circular dated 30 May 2014), arising from the Short-term Financing Business acquired by the Group in prior years. The directors of the Company were of the opinion that the Group would renew the Pawn Licences, at minimal cost, continuously and had the ability to do so. Therefore, the Pawn Licences were considered by the directors of the Company as having an indefinite useful life.

The impairment assessment of the Pawn Licences was included in the impairment assessment of the Short-term Financing CGU that includes goodwill (as defined in Note 12). As at 31 December 2016, the recoverable amount of the Short-term Financing CGU fell below its carrying amount, the directors of the Company concluded that, assessed together with goodwill (Note 12), should be fully impaired.

## 12. GOODWILL

	<b>Short-term Financing CGU HK\$'000</b>
<b>Cost</b>	
As at 1 January 2018	675,787
Exchange realignments	<u>(35,008)</u>
As at 31 December 2018 and 1 January 2019	640,779
Exchange realignments	<u>(11,876)</u>
<b>As at 31 December 2019</b>	<b><u>628,903</u></b>
<b>Accumulated impairment losses</b>	
As at 1 January 2018	675,787
Exchange realignments	<u>(35,008)</u>
As at 31 December 2018 and 1 January 2019	640,779
Exchange realignments	<u>(11,876)</u>
<b>As at 31 December 2019</b>	<b><u>628,903</u></b>
<b>Net carrying amount</b>	
<b>As at 31 December 2019</b>	<b><u>—</u></b>
As at 31 December 2018	<u>—</u>

Goodwill arising in prior years related to the acquisitions of equity interest in (i) Prima Finance Holdings Limited and its subsidiaries (collectively referred to as the “**Prima Finance Group**”) and was allocated to the short-term financing CGU (“**Short-term Financing CGU**”).

Goodwill acquired through business combinations in prior years had been allocated to the Short-term Financing CGU for impairment test.

As at 31 December 2016, in light of unfavourable operating environment and keen competition of the short-term financing industry, including the relatively lower interest rate environment in the PRC and increasing number of competitors, that were expected to have a negative impact on the future cash flows that could be generated by the Short-term Financing CGU, the directors of the Company had re-estimated the cash flows that could be generated from the Short-term Financing CGU. Based on the fair value less costs of disposal estimated using the revised cash flow projections and using the income approach, the directors of the Company concluded that goodwill and Pawn Licenses allocated to the Short-term Financing CGU had been fully impaired.

### 13. LOANS TO CUSTOMERS

	2019 HK\$'000	2018 HK\$'000
Principal and interest receivable:		
Pawn loans	245,810	238,498
Micro-credit loans	99,233	114,109
Entrusted loans	12,784	54,934
Distressed debt assets	<u>34,397</u>	<u>—</u>
Loans to customers, gross	392,224	407,541
Less:		
Loss allowance	<u>(102,825)</u>	<u>(107,788)</u>
Loans to customers, net	<u>289,399</u>	<u>299,753</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 expected credit losses (“ECLs”).

The following is a credit quality analysis of loans to customers before loss allowance for ECLs as at 31 December 2019 and 2018 under the requirements of HKFRS 9.

	2019 HK\$'000	2018 HK\$'000
Neither overdue nor credit-impaired	180,738	252,420
Overdue but not credit-impaired		
— overdue within 30 days	39,160	41,068
— overdue 30 to 90 days	36,833	77,001
Overdue and credit-impaired		
— overdue more than 90 days	<u>135,493</u>	<u>37,052</u>
	<u>392,224</u>	<u>407,541</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2019, 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 2019 of approximately HK\$62,550,000 (2018: approximately HK\$85,721,000), representing a decrease of approximately HK\$23,171,000 as compared with last year. The decrease in total revenue was mainly attributable to the significant decrease in income from the financial consultancy services business and a moderate decrease in interest income from short-term financing services during the year ended 31 December 2019 as a result of the unfavorable market environment and the slowdown in the PRC's economic growth. On the other hand, due to the completion of the acquisition of Beijing Huayuan Sifang Asset Management Company Limited\* (“**Beijing Huayuan Sifang**”), the Group has broadened its revenue source. The settlement gain from distressed debt assets classified in loans to customers of Beijing Huayuan Sifang increased the Group's total revenue by approximately of HK\$1,553,000.

The administrative and other expenses for the year ended 31 December 2019 has slightly increased from approximately HK\$37,882,000 in the year 2018 to approximately HK\$41,372,000.

Other income and other gains and losses for the year ended 31 December 2019 was approximately HK\$1,875,000 (2018: approximately HK\$18,065,000), which represents a decrease of approximately HK\$16,190,000 when compared to the year 2018. The significant decrease was mainly due to absence of waive of interest expenses on promissory notes and one-off recovery of bad debts during the year ended 31 December 2019 (2018: approximately HK\$3,200,000 and HK\$12,570,000 respectively).

The Group recorded reversal of loss allowance for ECLs for the year ended 31 December 2019 of approximately HK\$3,010,000 while charge of loss allowance for ECLs of approximately HK\$41,069,000 was recorded in the year 2018. The reversal of loss allowance for ECLs was mainly due to the enhancement of credit control. In order to minimise the overall credit risk on loans to customers, the Group has put considerable effort in strengthening the credit risk management by reviewing various aspects, including but not limited to current credit assessments and control procedures, customer structure and quality of collaterals.

\* *English name is for identification purpose only*



The loss attributable to the owners of the Company for the year ended 31 December 2019 was approximately HK\$36,849,000 (2018: approximately HK\$29,625,000). The increase in loss attributable to the owners of the Company was mainly attributable to the net effect of (i) decrease in total revenue by approximately HK\$23,171,000; (ii) decrease in other income and other gains and losses by approximately HK\$16,190,000; (iii) decrease in charge of loss allowance for ECLs by approximately HK\$44,079,000; and (iv) increase in income tax expenses by approximately HK\$4,824,000 mainly due to the corresponding deferred tax impact arising from the improvement in ECLs.

The Group recorded a deemed capital contribution arising from the liability portion of convertible bonds of approximately HK\$159,955,000 in equity as a result of extension of maturity date of convertible bonds, which was approved by the independent shareholders of the Company at the special general meeting held on 7 May 2019 (the “**Alteration**”). Details of the Alteration are set out in the Company’s announcements dated 20 February 2019 and 7 May 2019 and the Company’s circular dated 30 March 2019.

### **Short-term financing services**

During the year ended 31 December 2019, the revenue of short-term financing services was approximately HK\$60,997,000 (2018: approximately HK\$85,721,000). The operating results of the short-term financing services recorded a profit before income tax of approximately HK\$41,630,000 (2018: approximately HK\$30,411,000). The significant increase in segment profit for the year ended 31 December 2019 when compared with last year was the mainly attributable to the net effect of (i) decrease in revenue of short-term financing services by approximately HK\$24,724,000; (ii) absence of one-off recovery of bad debts; and (iii) reversal of loss allowance for ECL on loans to customers was recorded for the year ended 31 December 2019 while charge of loss allowance for ECLs was recorded in the year 2018 which has been discussed above.

## **PROSPECTS**

Looking to the future, the development of US-China tensions and the COVID-19 pandemic are expected to create difficult operating conditions for businesses. In this regard, the People's Bank of China is carrying out prudent and moderately flexible monetary policy by strengthening counter-cyclical adjustments and keeping reasonably abundant liquidity in the banking system to ensure sound monetary and financial conditions of the SMMEs. This may lead to a more fierce competition among the money lending industry in the PRC. Our short-term financing service business will continue to offer a faster and more flexible service to the SMMEs and the individual borrowers in order to maintain competitiveness in the financial market. Going forward to 2020, the Group believes that the newly acquired business will help to diversify the business risks and to create synergies with the existing business, thereby taking the Group to the next stage. At the same time, the Group will continue to seek new investment opportunities to broaden and diversify our income stream so as to improve the overall financial performance of the Group and maximise the value for our shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2019, the Group had other debts comprising promissory notes and liability component of convertible bonds of approximately HK\$481,304,000 (2018: approximately HK\$593,715,000). 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 2019, the Group had cash and cash equivalents of approximately HK\$238,076,000 (2018: approximately HK\$193,406,000) 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 internally generated cash flows from operations.

As at 31 December 2019, the gearing ratio for the Group was approximately positive 22.5 (2018: approximately negative 6.6 due to the Company's negative equity position), calculated based on the total debts of approximately HK\$481,304,000 (2018: approximately HK\$593,715,000) over shareholder's equity of approximately positive HK\$21,367,000 (2018: approximately negative HK\$89,479,000). The debt ratio was approximately 0.88 (2018: approximately 1.14), 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 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 2019 is summarised as follows:

### **(i) Bank Borrowings**

There were no bank borrowings outstanding as at 31 December 2019 (2018: Nil).

### **(ii) Promissory notes**

As at 31 December 2019, the Company had promissory notes issued as part of consideration for the acquisition of the Prima Finance Group outstanding. Summary of the promissory notes is as follows.

<b>Date of issue</b>	<b>Principal amount as at 1 January 2019 (HK\$)</b>	<b>Interest rate per annum</b>	<b>Principal repayment due date</b>	<b>Redeemed principal amount (HK\$)</b>	<b>Outstanding principal amount as at 31 December 2019 (HK\$)</b>
6 February 2015	20,000,000	8%	6 February 2020	–	20,000,000

### (iii) Convertible Bonds

As at 31 December 2019, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of the Prima Finance Group outstanding. Summary of the convertible bonds is as follows.

Date of issue	Principal amount as at 1 January 2019 (HK\$)	Maturity date	Conversion Price per share	Amount converted into shares during the year (HK\$)	Outstanding principal amount as at 31 December 2019 (HK\$)	Number of shares to be issued upon full conversion as at 31 December 2019
25 June 2014	387,200,000	24 June 2022	HK\$0.35	–	387,200,000	1,106,285,714
6 February 2015	194,000,000	5 February 2023	HK\$0.35	–	194,000,000	554,285,714

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 6 December 2019, Beijing Fortune Front Innovative Technology Company Limited\*, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement whereby it has conditionally agreed to purchase the 50% equity interest in Beijing Huayuan Sifang at a cash consideration of RMB30,500,000 (equivalent to approximately HK\$34,080,000). Beijing Huayuan Sifang is a company established in the PRC with limited liability and is principally engaged in distressed debt assets management and provision of consultancy services. The acquisition was completed on 30 December 2019.

As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) of the acquisition exceed 5% but are less than 25%, the acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

Details of the abovementioned acquisition are set out in the announcements of the Company dated 6 December 2019, 11 December 2019 and 7 February 2020.

During the year ended 31 December 2019, save as disclosed above, the Group did not process any other significant investment, acquisition or disposal of subsidiaries or associated companies.

\* English name is for identification purpose only

## **CHARGE OF GROUP ASSETS**

As at 31 December 2019, the Group did not have any assets under charge (2018: 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 2019, 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.

As 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 31 December 2019, 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 2019, 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 2019, the Group did not have any material contingent liability (2018: Nil).

## **EMPLOYEE INFORMATION AND REMUNERATION POLICY**

As at 31 December 2019, the Group employed a total of 75 employees (2018: 77 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 2019 amounted to approximately HK\$19,189,000 (2018: approximately HK\$18,061,000).

The Company adopted the share option scheme where options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the share option scheme during the year ended 31 December 2019.

## **EVENTS AFTER REPORTING PERIOD**

### **Placing of New Shares under General Mandate**

On 30 January 2020, the Company and a placing agent entered into a placing agreement to subscribe a maximum of 105,264,000 new ordinary shares (the “**Share(s)**”) of the Company at the placing price of HK\$0.095 per Share (the “**Placing**”). 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 23 May 2019. The 105,264,000 new Shares, with par value of HK\$0.01 each, were placed to not less than six independent places on 17 February 2020 with net proceeds of approximately HK\$9.4 million (“**Net Proceed**”). The Company used the actual Net Proceed from the Placing for the settlement of outstanding short-term liabilities of the Company.

Details of the Placing are set out in the Company’s announcements dated 30 January 2020 and 17 February 2020.

### **Settlement and Extension of Promissory Notes**

The Company has subsequently settled the promissory note with principal of HK\$5 million (“**Promissory Note 1**”) and the promissory notes, each with principal of HK\$5 million (“**Promissory Notes 2 & 3**”) on 5 February 2020 and 21 February 2020 respectively. Pursuant to the terms and conditions of the promissory notes, the Company was not obliged to repay the interest of Promissory Note 1 due to early settlement while all outstanding interests of HK\$0.8 million for Promissory Notes 2 & 3 were settled with the principal on 21 February 2020.

On 21 February 2020, the Company and the holder of the promissory note with principal of HK\$5 million (“**Promissory Note 4**”) entered into an amendment agreement, to extend the maturity date of the Promissory Note 4 by 1 year from 6 February 2020 to 6 February 2021 and to carry interest at the rate of 8% per annum based on the actual number of borrowing days (the “**Amendment**”). Save for the Amendment, all other terms and conditions of the Promissory Note 4 shall remain unchanged. All outstanding interests of HK\$0.4 million for Promissory Note 4, immediately before the Amendment, were settled on 21 February 2020.

## **Proposed Share Consolidation and Proposed Change in Board Lot Size**

As disclosed in the Company's announcement dated 7 February 2020 and circular dated 28 February 2020 (the "**Circular**"), the Company has proposed to (i) implement the share consolidation pursuant to which every five (5) Existing Shares (as defined in the Circular) will be consolidated into one (1) Consolidated Share (as defined in the Circular) (the "**Share Consolidation**"); and (ii) change in the board lot size for trading on the Exchange from 2,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

The proposed Share Consolidation is subject to (i) the passing of an ordinary resolution by the shareholders of the Company to approve the Share Consolidation at the special general meeting (the "**SGM**"); (ii) the Listing Committee of the Exchange granting the listing of, and permission to deal in, the Consolidation Shares upon the Share Consolidation becoming effective; and (iii) the compliance with the relevant procedures and requirements under the applicable laws of the Bermuda and the GEM Listing Rules to effect the Share Consolidation. On 9 March 2020, the Exchange has granted a conditional listing approval for the Share Consolidation, which is subject to (i) shareholders' approval on the Share Consolidation; and (ii) fulfillment of all other conditions of the Share Consolidation. The Company will hold the SGM on 6 April 2020 to approve the abovementioned ordinary resolution. Subject to the fulfillment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on 8 April 2020 being the second business day after the SGM. Please refer to the Circular for further details.

Save as disclosed above, there is no material subsequent event undertaken by the Group after 31 December 2019 and up to the date of this announcement.

## **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 2019.

## **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 2019, the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) of the GEM Listing Rules with the exception of the following deviations:

### **CODE PROVISION A.2.1**

Code Provision A.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 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.

### **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 2019.

### **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the year ended 31 December 2019, 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 2019 as set out in the preliminary 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 on the preliminary 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 2019.

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

Hong Kong, 24 March 2020

*As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Ms. Li Wei, the non-executive Director is Mr. Zang Wei and the independent non-executive Directors are Mr. Chen Yihua, Mr. Du Hui and Dr. Wong Wing Kuen Albert.*

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