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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 2022

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

The board of Directors (the “**Board**”) of the Company is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2022 (the “**Interim Period**”) together with the unaudited comparative figures for the corresponding periods in 2021, as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	4	16,551	16,829	24,558	25,987
Other income and other gains and losses, net	4	(92)	1,233	607	2,356
Administrative and other expenses		(9,209)	(10,401)	(17,923)	(19,513)
Reversal/(Charge) of loss allowance for expected credit losses (“ECLs”) on loans to customers	16(b)	3,848	13,737	(7,380)	10,602
Fair value gain/(loss) on financial assets at fair value through profit or loss (“FVTPL”)	5	118	–	(8,439)	–
Cumulative exchange loss reclassified from equity to profit or loss upon deregistration of a subsidiary		(1,201)	–	(1,201)	–
Share of profit/(loss) of a joint venture		160	(140)	83	(140)
Finance costs	6	(7,288)	(9,707)	(14,505)	(20,808)
Profit/(Loss) before income tax	7	2,887	11,551	(24,200)	(1,516)
Income tax expenses	8	(1,988)	(7,516)	(174)	(7,716)
Profit/(Loss) for the period		899	4,035	(24,374)	(9,232)
Attributable to:					
Owners of the Company		(3,300)	3,891	(28,893)	(9,833)
Non-controlling interests		4,199	144	4,519	601
		899	4,035	(24,374)	(9,232)
(Loss)/Earnings per share attributable to owners of the Company	10				
– Basic and diluted (Hong Kong cents)		(0.33)	0.46	(2.86)	(1.60)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) for the period	<u>899</u>	<u>4,035</u>	<u>(24,374)</u>	<u>(9,232)</u>
Other comprehensive (expense)/income for the period				
<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	(288)	–	(247)	–
– Exchange differences on translation of financial statements of foreign operations	<u>(17,898)</u>	<u>6,107</u>	<u>(15,381)</u>	<u>5,967</u>
<i>Item that has been reclassified subsequently to profit or loss:</i>				
– Cumulative exchange loss reclassified from equity to profit or loss upon deregistration of a subsidiary	<u>1,201</u>	<u>–</u>	<u>1,201</u>	<u>–</u>
Other comprehensive (expense)/income for the period, net of tax	<u>(16,985)</u>	<u>6,107</u>	<u>(14,427)</u>	<u>5,967</u>
Total comprehensive (expense)/income for the period	<u>(16,086)</u>	<u>10,142</u>	<u>(38,801)</u>	<u>(3,265)</u>
Attributable to:				
Owners of the Company	(18,002)	9,330	(41,353)	(4,506)
Non-controlling interests	<u>1,916</u>	<u>812</u>	<u>2,552</u>	<u>1,241</u>
	<u>(16,086)</u>	<u>10,142</u>	<u>(38,801)</u>	<u>(3,265)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	11	1,582	1,804
Right-of-use assets	12	6,099	5,607
Investment properties	13	6,524	6,824
Intangible assets		–	–
Goodwill		–	–
Investment in a joint venture	14	5,531	5,702
Deferred tax assets		29,164	28,635
		<hr/> 48,900	<hr/> 48,572
Current assets			
Reposessed assets		–	–
Financial assets at FVTPL	15	697	5,626
Loans to customers	16	214,776	247,252
Prepayments, deposits and other receivables		1,587	10,572
Cash and cash equivalents		114,735	95,905
		<hr/> 331,795	<hr/> 359,355
Equity investment at fair value through other comprehensive income (“FVTOCI”) classified as held for sale	17	<hr/> –	<hr/> 8,576
		<hr/> 331,795	<hr/> 367,931

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2022

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	Notes		
Current liabilities			
Accrued expenses, other payables and deposits received	18	112,111	9,739
Tax payables		538	2,078
Amount due to a director	19	2,160	–
Promissory notes	20	–	–
Convertible bonds – liability component	21	182,710	99,731
Lease liabilities		1,594	1,639
		<u>299,113</u>	<u>113,187</u>
Net current assets		<u>32,682</u>	<u>254,744</u>
Total assets less current liabilities		<u>81,582</u>	<u>303,316</u>
Non-current liabilities			
Convertible bonds – liability component	21	–	181,467
Lease liabilities		4,657	3,985
		<u>4,657</u>	<u>185,452</u>
Net assets		<u><u>76,925</u></u>	<u><u>117,864</u></u>
Capital and reserves			
Issued capital	22	50,591	50,591
Reserves		(17,187)	24,305
Amounts recognised in other comprehensive income and accumulated in equity relating to equity investment at FVTOCI held for sale		–	106
Equity attributable to owners of the Company		<u>33,404</u>	<u>75,002</u>
Non-controlling interests		<u>43,521</u>	<u>42,862</u>
Total equity		<u><u>76,925</u></u>	<u><u>117,864</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2022

	Reserves									Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	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			
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)
Other comprehensive expense												
<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	-	-	-	-	(247)	-	-	-	-	(247)	-	(247)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(13,414)	-	-	-	-	(13,414)	(1,967)	(15,381)
<i>Item that has been reclassified subsequently to profit or loss:</i>												
Cumulative exchange loss reclassified from equity to profit or loss 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 FVTOCI	-	-	-	-	-	-	(106)	-	106	-	-	-
Transactions with owners												
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,893)	(1,893)
Redemption of 2023 CB (As defined in Note 21) by cash	-	-	-	-	-	(193)	-	-	(52)	(245)	-	(245)
Transferred to accumulated losses upon mature of 2022 CB (Note 21)	-	-	-	-	-	(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 CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2021

	Reserves									Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	FVTOCI reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2021 (Audited)	14,064	625,385	131,109	282,885	(61,632)	9,282	(2,831)	26,838	(1,046,088)	(20,988)	47,007	26,019
Loss for the period	–	–	–	–	–	–	–	–	(9,833)	(9,833)	601	(9,232)
Other comprehensive income												
<i>Item that may be reclassified subsequently to profit or loss:</i>												
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	5,327	–	–	–	–	5,327	640	5,967
Other comprehensive income for the period	–	–	–	–	5,327	–	–	–	–	5,327	640	5,967
Total comprehensive expense for the period	–	–	–	–	5,327	–	–	–	(9,833)	(4,506)	1,241	(3,265)
Transactions with owners												
Issue of new shares under rights issue	28,127	43,955	–	–	–	–	–	–	–	72,082	–	72,082
Deemed capital contribution arising from liability portion of convertible bonds	–	–	–	1,361	–	–	–	–	–	1,361	–	1,361
Redemption of 2022 CB (As defined in Note 21) by cash	–	–	–	–	–	(1,670)	–	–	(342)	(2,012)	–	(2,012)
Transactions with owners	28,127	43,955	–	1,361	–	(1,670)	–	–	(342)	71,431	–	71,431
As at 30 June 2021 (Unaudited)	42,191	669,340	131,109	284,246	(56,305)	7,612	(2,831)	26,838	(1,056,263)	45,937	48,248	94,185

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Cash generated from/(used in) operations		14,400	(1,682)
Interest received		592	1,324
Income taxes paid		(3,481)	(3,522)
Net cash generated from/(used in) operating activities		11,511	(3,880)
INVESTING ACTIVITIES			
Acquisition of investment in a joint venture	14	–	(6,017)
Advance to a joint venture		–	(132)
Proceeds from redemption of financial assets at FVTPL		–	719
Purchases of property, plant and equipment	11	(71)	(74)
Proceeds from disposal of financial assets at FVTPL		7,073	–
Proceeds from disposal of equity investment at FVTOCI		8,456	–
Purchase of financial assets at FVTPL		(3,510)	–
Net cash generated from/(used in) investing activities		11,948	(5,504)
FINANCING ACTIVITIES			
Advance from a director		2,160	–
Dividends paid to non-controlling interests		(1,893)	–
Interests on promissory notes	20	–	(443)
Net proceeds from issue of new shares upon rights issue	22(b)	–	72,082
Repayment for lease liabilities	12	(779)	(907)
Repayment of promissory notes	20	–	(5,000)
Repayment of convertible bonds	21	(8,000)	(90,899)
Net cash used in financing activities		(8,512)	(25,167)
Net increase/(decrease) in cash and cash equivalents		14,947	(34,551)
Cash and cash equivalents at beginning of the period		95,905	139,193
Effect of foreign exchange rate changes, net		3,883	1,664
Cash and cash equivalents at end of the period		114,735	106,306
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		114,735	106,306

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 June 2022

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 2022 (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 2021, 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 2021 (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 initial adoption of Amendments to HKFRS16 "COVID-19-Related Rent Concessions Beyond 30 June 2021", details of which are described in Note 2.3, and 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 2022.

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.

2.3 Amendments to HKFRS 16: COVID-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

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 2022 and 30 June 2021, being the single geographical region.

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Revenue from other sources				
Interest income from loans to customers	6,814	16,829	14,821	25,874
Settlement gain from distressed debt assets classified in loans to customers	9,737	–	9,737	113
	<u>16,551</u>	<u>16,829</u>	<u>24,558</u>	<u>25,987</u>
Short-term financing services income	<u>16,551</u>	<u>16,829</u>	<u>24,558</u>	<u>25,987</u>
Other income and other gains and losses, net				
Exchange difference, net	(430)	129	(368)	124
Bank interest income	276	858	592	1,324
Investment income	–	26	–	26
Gain on disposal of repossessed assets	6	–	6	–
Rental income from investment properties	–	35	–	42
Gain on early redemption of convertible bonds (Note 21)	–	–	303	126
Sundry income	56	185	74	714
	<u>(92)</u>	<u>1,233</u>	<u>607</u>	<u>2,356</u>

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

Fair value gain/(loss) on financial assets at FVTPL represents the change in fair value of the investment in the listed equity securities in the Main Board of the Exchange based on closing price in an active market.

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest expenses on				
– Convertible bonds	7,239	9,644	14,402	20,585
– Promissory notes	–	–	–	109
– Lease liabilities	49	63	103	114
	<u>7,288</u>	<u>9,707</u>	<u>14,505</u>	<u>20,808</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 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff Costs (excluding Directors' emoluments)				
Salaries, allowance and other benefits	4,110	3,300	7,810	6,837
Pension scheme contributions	412	428	987	846
Auditor's remuneration	254	223	497	448
Depreciation of property, plant and equipment	108	140	220	282
Depreciation of right-of-use assets	399	443	815	885
Reposessed assets written off	–	2,278	–	2,278
Short-term or low value lease payments	434	439	883	876

8. INCOME TAX EXPENSES

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

	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current income tax				
The PRC				
Current tax charge for the period	849	2,995	1,842	3,976
Under-provision in respect of prior periods	177	195	177	198
	<u>1,026</u>	<u>3,190</u>	<u>2,019</u>	<u>4,174</u>
Withholding tax on dividends	–	892	–	892
Deferred tax charged/(credited)	<u>962</u>	<u>3,434</u>	<u>(1,845)</u>	<u>2,650</u>
Income tax expenses	<u><u>1,988</u></u>	<u><u>7,516</u></u>	<u><u>174</u></u>	<u><u>7,716</u></u>

The Company is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which entities in the Group are domiciled and operated.

Pursuant to the rules and regulations of Bermuda, the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax under these jurisdictions.

For the Interim Period, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in Hong Kong (2021: 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% (2021: 25%). Pursuant to the relevant laws and implementation rules announced by the People’s Government of the Tibet Autonomous Region, 拉薩嘉德財務顧問有限公司 (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 three months and six months ended 30 June 2021. According to the notices on implementing the respective preferential income tax policies for micro and small enterprises issued by Ministry of Finance and the State Administration of Taxation, the taxable income in period ended 30 June 2022 and 2021 of certain subsidiaries of the Group established in the PRC were less than Renminbi (“**RMB**”) 3,000,000, which satisfies the provisions of the notice above. During the Interim Period, the part of taxable income that is not in excess of RMB1,000,000 is reduced to 12.5% (2021: 12.5%) of original total taxable income, and the applicable EIT rate is 20% (2021: 20%). Additionally, the part of taxable income that is between RMB1,000,000 and RMB3,000,000 is reduced to 25% (2021: 50%) of original total taxable income, and the applicable EIT rate is 20% (2021: 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% (2021:10%).

9. DIVIDEND

The Directors do not recommend for payment of a dividend for the Interim Period (2021: Nil).

* *English name is for identification purpose only*

10. (LOSS)/EARNINGS PER SHARE

The calculations of basic (loss)/earnings per share for the current period and prior period are based on the (loss)/profit 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 (loss)/earnings per share for the current period and prior period are based on the (loss)/profit 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 and six months ended 30 June 2022, as the Company's outstanding convertible bonds had an anti-dilutive (2021: anti-dilutive) effect to the basic (loss)/earnings per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted (loss)/earnings per share. Therefore, the basic and diluted (loss)/earnings per share for the three months and six months ended 30 June 2022 are equal (2021: equal).

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

	Three months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit		
(Loss)/Profit attributable to the owners of the Company, used in basic (loss)/earnings per share calculation	(3,300)	3,891
Adjustment of (loss)/profit attributable to the owners of the Company:		
Interest saving of the convertible bonds	—*	—*
(Loss)/Profit attributable to the owners of the Company, used in the diluted (loss)/earnings per share calculation	<u>(3,300)</u>	<u>3,891</u>

Three months ended 30 June	
2022	2021
(Unaudited)	(Unaudited)
'000	'000

Share

Weighted average number of ordinary shares for basic (loss)/earnings per share calculation (Note)	1,011,829	843,829
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	—*	—*
Weighted average number of ordinary shares for diluted (loss)/earnings per share calculation (Note)	<u>1,011,829</u>	<u>843,829</u>

Note: The weighted average number of ordinary shares of 843,829,233 for the three months ended 30 June 2021 is derived from 281,276,411 shares in issue as at 1 January 2021 and after taking into account of the effect of the respective adjustment in relation to the rights issue which became unconditional and completed as announced on 15 March 2021.

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to the owners of the Company, used in basic loss per share calculation	(28,893)	(9,833)
Adjustment of loss attributable to the owners of the Company:		
Interest saving of the convertible bonds	<u>—*</u>	<u>—*</u>
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	<u>(28,893)</u>	<u>(9,833)</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	'000	'000
Share		
Weighted average number of ordinary shares for basic loss per share calculation (Note)	1,011,829	614,224
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	<u>—*</u>	<u>—*</u>
Weighted average number of ordinary shares for diluted loss per share calculation (Note)	<u>1,011,829</u>	<u>614,224</u>

Note: The weighted average number of ordinary shares of 614,223,765 for the six months ended 30 June 2021 is derived from 281,276,411 shares in issue as at 1 January 2021 and after taking into account of the effect of the respective adjustment in relation to the rights issue which became unconditional and completed as announced on 15 March 2021.

* 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\$71,000 (2021: approximately HK\$74,000). During the Interim Period, no property, plant and equipment were written off and disposed (2021: Nil).

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 2021: 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 recorded additions to right-of-use assets of approximately HK\$1,506,000 (2021: approximately HK\$1,802,000).

During the Interim Period, the total cash outflows for leases was approximately HK\$779,000 (2021: approximately HK\$907,000).

As at 30 June 2022, the weighted average effective interest rate for the lease liabilities of the Group was 1.93% per annum (as at 31 December 2021: 3.52%).

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

	Period from 1 January 2022 to 30 June 2022 (Unaudited) HK\$'000	Year ended 31 December 2021 (Audited) HK\$'000
At the beginning of the reporting period	6,824	6,759
Changes in fair value	–	(156)
Exchange realignments	(300)	221
	<u>6,524</u>	<u>6,824</u>
At the end of the reporting period	<u>6,524</u>	<u>6,824</u>

The Group's entire property interests were held under leases to earn rentals 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. INVESTMENT IN A JOINT VENTURE

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Unlisted shares, at cost		
Share of net assets	5,229	5,386
Goodwill	173	181
Amount due from a joint venture	129	135
	<u>5,531</u>	<u>5,702</u>

On 14 May 2021, an indirectly wholly-owned subsidiary of the Company, 北京通和盛嘉科技有限公司 Beijing Tonghe Shengjia Technology Company Limited* (“**Beijing Tonghe**”) has entered into an equity transfer agreement (the “**JV Equity Transfer Agreement**”) with an independent third party for the acquisition of 25% equity interest in 宣威瑞草生物科技有限公司 (Xuan Wei Rui Cao Biological Technology Company Limited*, “**Xuan Wei**”). The aggregate cash consideration is RMB5,000,001 (equivalent to approximately HK\$6,017,000) which would be satisfied by cash of RMB1 and cash capital injection of RMB5,000,000. The acquisition was completed on 14 May 2021.

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Pursuant to JV Equity Transfer Agreement, each of Beijing Tonghe, the first joint venture partner and the second joint venture partner is entitled to appoint 2, 1 and 1, respectively, out of 4 board members of Xuan Wei. Because certain strategic financial and operating decisions in relation to Xuan Wei's operation require the unanimous consent of all board members, Beijing Tonghe, the first joint venture partner and the second joint venture partner are considered to have joint control of Xuan Wei under the arrangements and Xuan Wei is being regarded as a joint venture of Beijing Tonghe.

Details of the joint venture at the end of the reporting period are as follows:

Name of joint venture	Place of establishment	Particulars of paid-up capital	Proportion of value of paid-up capital indirectly by the Company	Principal activities
Xuan Wei	The PRC	Paid-up capital of RMB12,500,000	25%	Bio-organic fertilizer and biopesticide research and development and plant extract production

The joint venture is accounted for using the equity method in the unaudited condensed consolidated financial statements.

As at 30 June 2022 and 31 December 2021, the Group had no unrecognised commitments relating to its investment in a joint venture.

As at 30 June 2022 and 31 December 2021, there was no contingent liabilities incurred by the Group in relation to its investment in a joint venture.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	Notes		
Unlisted investment in non-principal guaranteed trust funds	(a)	—	—
Unlisted equity investment	(b)	—	—
Listed equity investment	(c)	697	5,626
		<u>697</u>	<u>5,626</u>

Notes:

- (a) The unlisted investment in non-principal guaranteed trust funds (the “**Funds**”) placed with a financial institution in the PRC. The Funds are denominated in RMB and mainly invested in collateral-backed micro-credit loans. The yields on the Funds are not guaranteed, and hence, they were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.

On 26 March 2021, the Group has further placed the Funds of RMB2,200,000 (equivalent to approximately HK\$2,650,000) with a financial institution in the PRC. During the year ended 31 December 2021, the Group has redeemed the Funds of approximately RMB12,176,000 (equivalent to approximately HK\$14,665,000) and recognised a net loss on redemption of approximately RMB246,000 (equivalent to approximately HK\$296,000). No returns were received from the Funds in respect of the capital contribution during the three months and six months ended 30 June 2021.

- (b) 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.

As at 31 December 2021, in respect of the continuous scale-down of business and financial difficulties faced by Yiyang Group, the directors of the Company have assessed the recoverable amount of the unlisted equity investment by reference to the value of the underlying assets of Yiyang Group which may not be able to generate future economic benefits. Accordingly, the recoverable amount of the unlisted equity investment was minimal which the directors of the Company write off the entire interests of approximately RMB3,954,000 (equivalent to approximately HK\$4,763,000) recognised in profit or loss during the year ended 31 December 2021. No dividends were received on this unlisted equity investment during the three months and six months ended 30 June 2021.

- (c) 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 (2021: N/A).

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16. LOANS TO CUSTOMERS

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	Note		
Principal and interest receivables:			
Pawn loans		216,730	230,274
Micro-credit loans		106,688	111,549
Distressed debt assets		6,213	18,085
		<hr/>	<hr/>
Loans to customers, gross		329,631	359,908
Less: Loss allowance	16(b)	(114,855)	(112,656)
		<hr/>	<hr/>
Loans to customers, net		214,776	247,252
		<hr/>	<hr/>

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:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Neither overdue nor credit-impaired	159,513	187,283
Overdue but not credit-impaired		
– overdue within 30 days	11,681	4,666
– overdue 30 to 90 days	9,086	30,250
Overdue and credit-impaired		
– overdue more than 90 days	149,351	137,709
	329,631	359,908

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:

	Period from 1 January 2022 to 30 June 2022 (Unaudited) HK\$'000	Year ended 31 December 2021 (Audited) HK\$'000
At the beginning of the reporting period	112,656	139,022
Charged/(Credited) to profit or loss	7,380	(25,642)
Written off	–	(4,900)
Exchange realignments	(5,181)	4,176
	<hr/>	<hr/>
At the end of the reporting period	<u>114,855</u>	<u>112,656</u>

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 34.8% (as at 31 December 2021: approximately 31.3%) of the gross carrying amount, against all loans to customers as at 30 June 2022.

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. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The equity investment at FVTOCI is an unlisted equity investment that represented 7% equity interest of 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited*) (“**Shenyang Hulian**”), a private entity incorporated in the PRC, which is principally engaged in the provision of micro-financing services business. The Group designated its investment in Shenyang Hulian at FVTOCI (non-recycling), as the investment is held for long-term strategic purpose. No dividends were received on this investment during the Interim Period (2021: Nil).

On 23 December 2021, the Group entered into a Sales and Purchases Agreement with an independent third party (“**Buyer**”), pursuant to which, among others, the Group agreed to sell the 7% equity interest of Shenyang Hulian and Buyer agreed to buy the 7% equity interest of Shenyang Hulian for cash consideration of RMB7,000,000 (equivalent to approximately HK\$8,576,000) (the “**Disposal**”). As at 31 December 2021, the equity investment at FVTOCI were classified as held for sale in the consolidated statement of financial position and the cumulative other comprehensive income relating to the equity investment at FVTOCI classified as held for sale was approximately HK\$106,000 in accordance to HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. On 21 February 2022, the Disposal was completed.

As at 31 December 2021, the directors of the Company assessed the fair value of 7% equity interest of Shenyang Hulian was no materially different from the consideration of the Disposal as the Disposal was fair and reasonable and on normal commercial term.

18. ACCRUED EXPENSES, OTHER PAYABLES AND DEPOSITS RECEIVED

As at 30 June 2022, bond payables of HK\$104,832,000 included in accrued expenses, other payables and deposits received represented the outstanding principal amount and accrued interest of HK\$99,840,000 and HK\$4,992,000 respectively arising from 2022 CB, details of which are set out in Note 21 to the unaudited condensed consolidated financial statements. After the date of maturity of 2022 CB on 24 June 2022, the bond is no longer convertible into shares of the Company.

19. AMOUNT DUE TO A DIRECTOR

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

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20. PROMISSORY NOTES

	Period from 1 January 2022 to 30 June 2022 (Unaudited) HK\$'000	Year ended 31 December 2021 (Audited) HK\$'000
At the beginning of the reporting period	–	5,334
Effective interest expenses	–	109
Interest payments	–	(443)
Redemption	–	(5,000)
	<hr/>	<hr/>
Carrying value at the end of the reporting period	<hr/> <hr/>	<hr/> <hr/>
Face value, at the end of the reporting period	<hr/> <hr/>	<hr/> <hr/>

On 18 March 2021, the Company has fully redeemed the promissory notes with principal amount of HK\$5,000,000 and settled accrued interests of approximately HK\$443,000 by cash settlement.

21. 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, Busting 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 with effective on 8 April 2020.

During the year ended 31 December 2021, the Company has entered redemption agreements with several holders of 2022 CB to early redeem the zero-coupon convertible bonds with aggregate principal amount of HK\$188,509,000 by cash settlement of approximately HK\$180,823,000. 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 2022 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\$4,002,000 and approximately HK\$126,000, respectively, and the redemption prices allocated to the equity component of approximately HK\$4,004,000 were recognised in equity. Upon the redemption of 2022 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2022 CB of approximately HK\$769,000 was transferred to accumulated losses.

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.

After the date of maturity of 2022 CB on 24 June 2022, the bond is no longer convertible into shares of the Company. Therefore, the 2022 CB in an aggregate principal amount of HK\$99,840,000 and accrued interest of HK\$4,992,000 were reclassified as bond payables which included in accrued expenses, other payables, and deposits received in the unaudited condensed consolidated statement of financial position, and the remaining amount of convertible bonds reserve attributable to 2022 CB of approximately HK\$1,713,000 was transferred to accumulated losses.

Save for disclosed above, there was no conversion or redemption of the convertible bonds during the three months and six months ended 30 June 2022 and the year ended 31 December 2021 or subsequent to the end of the reporting period.

As at 30 June 2022, 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	Principal	Amount	Amount	Outstanding	Amount	Amount	Amount	Outstanding
				amount as at	converted	redeemed	principal	converted	redeemed	matured	principal
				1 January	into shares	during the	amount as at	into shares	during the	during the	amount as at
				2021	during the	year	31 December	during the	Interim	Interim	30 June
				(Audited)			(Audited)		Period	Period	(Unaudited)
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2022 CB	25 June 2014	24 June 2022	HK\$1.75	288,349	-	(188,509)	99,840	-	-	(99,840)	-
2023 CB	6 February 2015	5 February 2023	HK\$1.75	194,000	-	-	194,000	-	(8,600)	-	185,400

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 the 2019 CB and 2020 CB is calculated using effective interest rate ranging from 8.72% to 8.87% per annum.

The Alteration constituted a significant modification and was accounted for as an extinguishment of the 2019 CB and 2020 CB and the recognition of the 2022 CB and 2023 CB. In light of the terms of the 2022 CB and 2023 CB set out above, the Company reassessed, as at the date of the Alteration, the fair values of the 2022 CB and 2023 CB. The net effect on liability component of the Alteration is a deemed capital contribution of HK\$159,955,000 recognised in equity during the year ended 31 December 2019. The balances of the convertible bonds reserve for the 2019 CB and 2020 CB at the date of the Alteration of HK\$702,328,000 were transferred from convertible bonds reserve to accumulated losses during the year ended 31 December 2019.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the 2022 CB and 2023 CB is calculated using effective interest rate ranging from 10.96% to 11.09% (year ended 31 December 2021: 10.96% to 11.09%) per annum.

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

		Period from 1 January 2022 to 30 June 2022 (Unaudited) HK\$'000	Year ended 31 December 2021 (Audited) HK\$'000
	Note		
Equity component			
At the beginning of the reporting period		6,047	9,282
Early redemption of 2022 CB		–	(3,235)
Early redemption of 2023 CB		(193)	–
Transferred to accumulated losses upon mature of 2022 CB		(1,713)	–
		<u>4,141</u>	<u>6,047</u>
At the end of the reporting period		<u>4,141</u>	<u>6,047</u>
Liability component			
At the beginning of the reporting period		281,198	422,921
Effective interest expenses of the 2022 CB and 2023 CB		14,402	39,226
Early redemption of 2022 CB		–	(180,949)
Early redemption of 2023 CB		(8,058)	–
Transferred to other payables	18	(104,832)	–
		<u>182,710</u>	<u>281,198</u>
At the end of the reporting period		<u>182,710</u>	<u>281,198</u>
Face value, at the end of the reporting period		<u>185,400</u>	<u>293,840</u>

The liability portion of convertible bonds was analysed as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current liabilities	182,710	99,731
Non-current liabilities	–	181,467
	<u>182,710</u>	<u>281,198</u>

22. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
As at 1 January 2021, 31 December 2021 and 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 30 June 2022, ordinary shares of HK\$0.05 each		<u>20,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
As at 1 January 2021, ordinary shares of HK\$0.05 each		281,276	14,064
Rights issue	(b)	562,553	28,127
Placing of shares under general mandate	(c)	<u>168,000</u>	<u>8,400</u>
As at 31 December 2021, 1 January 2022 and 30 June 2022, ordinary shares of HK\$0.05 each		<u>1,011,829</u>	<u>50,591</u>

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) On 3 December 2020, the Company proposed to implement the rights issue on the basis of two (2) rights shares for every one (1) existing share held on 8 February 2021, being the record date, at the subscription price of HK\$0.135 per rights share. The rights issue was approved by the independent shareholders of the Company at the special general meeting held on 26 January 2021 and subsequently became unconditional and completed as announced on 15 March 2021. As such, 562,552,822 shares, with par value of HK\$0.05 each, were issued and allotted under the rights issue. The amount of approximately HK\$43,955,000, which represented the premium on the rights issue of approximately HK\$47,818,000 net of share issue expenses of approximately HK\$3,863,000, was credited to the Company’s share premium accounts.
- (c) On 1 December 2021, the Company and a placing agent entered into a placing agreement to subscribe 168,000,000 ordinary shares at the placing price of HK\$0.155 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 25 June 2021. The 168,000,000 new ordinary shares, with par value of HK\$0.05 each, were placed to not less than six independent placees on 20 December 2021 with gross proceeds of approximately HK\$26,040,000. The amount of approximately HK\$16,813,000, which represented the premium on the issue of shares of approximately HK\$17,640,000, net of share issue expenses of approximately HK\$827,000, was credited to the Company’s share premium accounts.

23. 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 2021: 1 to 16 years). None of the leases includes contingent rentals.

As at 30 June 2022 and 31 December 2021, the Group did not have any future minimum lease payments under non-cancellable operating leases falling due.

As Lessor

The Group leases out investment properties under operating leases, with lease negotiated for an initial term of 2.5 years. None of the leases includes contingent rentals.

As at 30 June 2022 and 31 December 2021, the Group did not have any future minimum lease payments receivable under non-cancellable operating leases falling due.

24. 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:

	Fair value at 30 June 2022 HK\$'000	Fair value measurements as at 30 June 2022 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Assets:				
Listed equity investment at FVTPL	<u>697</u>	<u>697</u>	<u>-</u>	<u>-</u>
	Fair value at 31 December 2021 HK\$'000	Fair value measurements as at 31 December 2021 categorised into Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Assets:				
Unlisted equity investment at FVTOCI	8,576	-	-	8,576
Listed equity investment at FVTPL	<u>5,626</u>	<u>5,626</u>	<u>-</u>	<u>-</u>
	<u>14,202</u>	<u>5,626</u>	<u>-</u>	<u>8,576</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:

	Period from 1 January 2022 to 30 June 2022 (Unaudited) HK\$'000	Year ended 31 December 2021 (Audited) HK\$'000
At the beginning of the reporting period	5,626	–
Additions during the reporting period	3,510	7,029
Disposal	–	(7,073)
Fair value (loss)/gain recognised in profit or loss	(8,439)	5,670
	<hr/>	<hr/>
At the end of the reporting period	697	5,626
	<hr/>	<hr/>

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

Unlisted investment:

	Period from 1 January 2022 to 30 June 2022 (Unaudited) HK\$'000	Year ended 31 December 2021 (Audited) HK\$'000
At the beginning of the reporting period	8,576	22,273
Additions during the reporting period	–	2,650
Disposal	(8,456)	–
Loss on redemption of financial assets at FVTPL, net	–	(296)
Disposal through disposal of a subsidiary	–	(56)
Write-off of financial assets at FVTPL	–	(4,763)
Net unrealised gains recognised in other comprehensive income during the reporting period	–	2,937
Redemptions	–	(14,665)
Exchange realignments	(120)	496
	<hr/>	<hr/>
At the end of the reporting period	–	8,576
	<hr/>	<hr/>

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.

25. EVENT AFTER THE REPORTING PERIOD

On 21 July 2022, the Company issued 2 series of zero-coupon convertible bonds, with respective principal amounts of HK\$99,840,000 due on 24 December 2023 (the “**New 2022 CB**”) and HK\$185,400,000 due on 5 August 2024 (the “**New 2023 CB**”). The conversion price of each of the New 2022 CB and New 2023 CB is HK\$0.05 per ordinary share. New 2022 CB and New 2023 CB were issued to settle the outstanding principal amounts of the 2022 CB and 2023 CB respectively. After the issuance of the New 2022 CB and New 2023 CB, the contractual obligations associated with 2022 CB and 2023 CB were discharged.

For details of the above convertible bonds, please refer to the announcements of the Company dated 4 April 2022, 29 April 2022, 3 May 2022, 31 May 2022, 13 June 2022, 28 June 2022 and 21 July 2022, and the circular of the Company dated 13 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the Interim Period, the Group was 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\$24,558,000 (2021: approximately HK\$25,987,000), representing a decrease of approximately HK\$1,429,000 as compared with the corresponding period last year. The decrease was mainly attributable to the decrease in interest income from loans to customers during the Interim Period.

The administrative and other expenses for the Interim Period decreased by approximately HK\$1,590,000 to approximately HK\$17,923,000 (2021: approximately HK\$19,513,000).

The Group recorded a fair value loss on financial assets at FVTPL for the Interim Period of approximately HK\$8,439,000 (2021: N/A), representing an unrealised loss recognised from the listed equity investments.

The Group recorded charge of loss allowance for ECLs on loans to customers for the Interim Period of approximately HK\$7,380,000 (2021: reversal of loss allowance for ECLs of approximately HK\$10,602,000), representing an increase in charge of loss allowance of approximately HK\$17,982,000 as compared with corresponding period of 2021. The significant charge of loss allowance for ECLs for the Interim Period was mainly due to the resurgence of COVID-19 pandemic since early 2022 which has brought an adverse impact on the financial condition of certain customers of the Group, resulting in a deterioration of the customers' aging.

The loss attributable to the owners of the Company for the Interim Period was approximately HK\$28,893,000 (2021: approximately HK\$9,833,000). The increase in loss was mainly attributable to the effect of increase in charge of loss allowance for ECLs on loans to customers and fair value loss on financial assets at FVTPL as mentioned above.

PROSPECTS

Looking forward, the challenges arising from the combined effect of the ongoing geopolitical tensions, the prolonged and complex COVID-19 pandemic situation as well as the global interest and inflation hikes will continue to bring uncertainties to the global economy including the Group's business operations. The domestic economy in the PRC will face threefold pressure from shrinking demands, supply shocks and weakening expectations. In this regard, the People's Bank of China pledged to use more monetary policy tools to stabilize economy and maintain a stable overall money supply. From the perspective of optimising the liquidity situation in the banking system and reducing lending costs, it is expected that the Group will face a fierce competition from inclusive finance operated by commercial banks. To maintain competitiveness in the market, the Group will continue to leverage its strengths and actively adjust its operation strategy on its short-term financing services business.

Going forward to 2022, the Group will continue to explore and seize business opportunities to broaden and diversify its income stream and further integrate its resources to improve the overall financial performance of the Group and to maximise the value for its shareholders.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Interim Period, 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 interim report, 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 2022, the Group had other debts comprising bond payables and liability component of convertible bonds of approximately HK\$287,542,000 (as at 31 December 2021: liability component of convertible bonds of approximately HK\$281,198,000). 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 2022, the Group had cash and cash equivalents of approximately HK\$114,735,000 (as at 31 December 2021: approximately HK\$95,905,000) 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 2022, the gearing ratio for the Group was approximately 8.6 (as at 31 December 2021: approximately 3.7), calculated based on the total debts of approximately HK\$287,542,000 (as at 31 December 2021: approximately HK\$281,198,000) over shareholder's equity of approximately HK\$33,404,000 (as at 31 December 2021: approximately HK\$75,002,000). The debt ratio was approximately 0.80 (as at 31 December 2021: approximately 0.72), 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 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 2022 and 31 December 2021.

(ii) **Convertible Bonds**

As at 30 June 2022, the Company had 2 series of zero-coupon convertible bonds, 2022 CB and 2023 CB (the definition and its details are set out in Note 21 to the unaudited condensed consolidated financial statements). Summary of the convertible bonds is as follows:

Date of issue	Principal amount as at 1 January 2022 (HK\$)	Maturity Date	Conversion Price per share	Amount converted into shares during the Interim Period (HK\$)	Amount redeemed during the Interim Period (HK\$)	Amount matured during the Interim Period (HK\$)	Outstanding principal amount as at 30 June 2022 (HK\$)	Number of shares to be issued upon full conversion as at 30 June 2022
25 June 2014	99,840,000	24 June 2022	HK\$1.75	-	-	(99,840,000)	-	-
6 February 2015	194,000,000	5 February 2023	HK\$1.75	-	(8,600,000)	-	185,400,000	105,942,856

Proposed Increase in Authorised Share Capital; and Connected Transaction in relation to Proposed Issue of Convertible Bonds under Specific Mandate

The Company entered into the conditional subscription agreements with the respective subscribers on 4 April 2022 (as amended and supplemented on 6 June 2022), pursuant to which each of the subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the zero-coupon convertible bonds due on 24 December 2023 in the aggregate principal amount of HK\$99,840,000 (the “**New 2022 Convertible Bonds**”) under relevant subscription agreements with Bustling Capital Limited and Choice Magic Limited as subscribers (the “**New 2022 CB Subscription Agreements**”) and the zero-coupon convertible bonds due on 5 August 2024 in the aggregate principal amount of HK\$185,400,000 (the “**New 2023 Convertible Bonds**”) under relevant subscription agreements with Exuberant Global Limited and Mr. Liu Yongli as subscribers (the “**New 2023 CB Subscription Agreements**”) (the “**Proposed Issue of Convertible Bonds**”). The market price of the Shares as of 4 April 2022 was HK\$0.031, being the date of the conditional subscription agreements.

The existing convertibles bonds of the Company would mature in June 2022 and February 2023 (the “**Existing CBs**”) respectively and it is not expected that the Company would have sufficient internal resources to redeem all the Existing CBs upon maturity. It was also considered that (i) it is unlikely for the Company to obtain other debt financing from financial institutions or otherwise with acceptable terms or terms better than those for the New 2022 Convertible Bonds and the New 2023 Convertible Bonds; and (ii) the holders of the Existing CBs have no intention to exercise the conversion rights attached to the Existing CBs taking into account of that the prevailing conversion price of the Existing CBs per Share is significantly higher than the market price. As such the Company considers that the entering into the New 2022 CB Subscription Agreements and the New 2023 CB Subscription Agreements would be an effective way to settle the Existing CBs. The Proposed Issue of Convertible Bonds bear similar salient features as the Existing CBs such as conversion restriction and essentially is an extension of the Existing CBs, except that the conversion price is adjusted to reflect the prevailing market price of the Shares which provides the subscribers a better opportunity to convert the convertible bonds before the respective maturity date.

On the assumption that the New 2022 Convertible Bonds would be converted into conversion shares in full at the initial conversion price of HK\$0.05 per conversion share (subject to adjustments), 1,996,800,000 conversion shares will be issued, representing (1) approximately 197.35% of the existing issued share capital of the Company, (2) approximately 66.37% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares upon full conversion of the New 2022 Convertible Bonds (assuming that no conversion shares to be allotted and issued under the New 2023 Convertible Bonds), and (3) approximately 29.73% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares upon full conversion of the New 2022 Convertible Bonds and the New 2023 Convertible Bonds. The aggregate subscription amounts of HK\$99,840,000 for the New 2022 Convertible Bonds will be set off by the respective outstanding principal amounts of the 2014 Convertible Bonds (as defined in the Company's announcement dated 4 April 2022) held by the relevant subscribers respectively which shall fall due on 24 June 2022.

On the assumption that the New 2023 Convertible Bonds would be converted into conversion shares in full at the initial conversion price of HK\$0.05 per conversion share (subject to adjustments), 3,708,000,000 conversion shares will be issued, representing (1) approximately 366.47% of the existing issued share capital of the Company, (2) approximately 78.56% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares upon full conversion of the New 2023 Convertible Bonds (assuming that no conversion shares to be allotted and issued under the New 2022 Convertible Bonds), and (3) approximately 55.21% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares upon full conversion of the New 2022 Convertible Bonds and the New 2023 Convertible Bonds. The aggregate subscription amounts of HK\$185,400,000 for the New 2023 Convertible Bonds will be set off by the respective outstanding principal amounts of the 2015 Convertible Bonds (as defined in the Company's announcement dated 4 April 2022) held by the relevant subscribers respectively which shall fall due on 5 February 2023.

In order to accommodate the growth of the Group and to provide the Company with greater flexibility for the issue of the conversion shares under the New 2022 Convertible Bonds and the New 2023 Convertible Bonds and other possible fund-raising activities in the future as and when necessary, the Board proposed to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 shares to HK\$1,000,000,000 divided into 20,000,000,000 shares by the creation of an additional 18,000,000,000 shares (the “**Proposed Increase in Authorised Share Capital**”). Subject to the passing of an ordinary resolution by the shareholders of the Company at the special general meeting (the “**SGM**”) to approve the increase in authorised share capital, the increase in authorised share capital would become effective on the date of the SGM.

The independent board committee (the “**Independent Board Committee**”) comprising all the independent non-executive Directors had been established and an independent financial adviser, Giraffe Capital Limited, had been appointed to advise the Independent Board Committee and the independent shareholders in this regard.

The Proposed Increase in Authorised Share Capital and Proposed Issue of Convertible Bonds were approved by the independent shareholders at the SGM held on 28 June 2022. Accordingly, the Proposed Increase in Authorised Share Capital took effective on 28 June 2022. All conditions precedent set out in each of the New 2022 CB Subscription Agreements and the New 2023 CB Subscription Agreements have been fulfilled and the completion of the issue of the New 2022 Convertible Bonds and the New 2023 Convertible Bonds took place on 21 July 2022 in accordance with the terms and conditions of the Subscription Agreements.

For details, please refer to the announcements of the Company dated 4 April 2022, 29 April 2022, 3 May 2022, 31 May 2022, 13 June 2022, 28 June 2022 and 21 July 2022, and the circular of the Company dated 13 June 2022.

USE OF PROCEEDS

Placing of New Shares under General Mandate

The actual net proceeds raised from the placing of 168,000,000 ordinary shares of the Company under general mandate on 1 December 2021 was approximately HK\$25,200,000. Up to 30 June 2022, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds HK\$'000	Actual use of net proceeds up to 30 June 2022 HK\$'000	Unutilised net proceeds up to the date of this report HK\$'000
Settlement of outstanding short-term liabilities of the Company	25,000	25,000	–
General working capital	213	213	–
	<u>25,213</u>	<u>25,213</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 2022, 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 2022, 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 2022, 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 2022 and 31 December 2021, the Group did not have any assets under charged.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 55 employees (as at 31 December 2021: 66). 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\$8,797,000 (30 June 2021: approximately HK\$7,683,000).

The Company adopted the share option scheme where share 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 Interim Period.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liability (31 December 2021: 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 2022, 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	Approximate	
		Number of ordinary shares held	percentage of shareholding in the Company
Mr. Zhang Wei	Beneficial owner	127,377,920	12.59
Ms. Li Wei	Beneficial owner	72,652,800	7.18

Note: The percentage represents the number of shares interested divided by the number of the issued shares as at 30 June 2022 (i.e. 1,011,829,233 shares).

Save for disclosed above, as at 30 June 2022, 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 2022, 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 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	102,285,714	–	102,285,714	10.10
Mr. Dai Di (Note 1)	–	102,285,714	102,285,714	10.10
Bustling Capital Limited (Note 2)	65,331,428	–	65,331,428	6.45
Ms. Jin Yu (Note 2)	–	65,331,428	65,331,428	6.45
Mr. Dai Hao (Notes 2 and 3)	–	65,331,428	65,331,428	6.45
Ms. Yip Sze Pui Fione (Note 4)	155,330,000	–	155,330,000	15.35
Mr. Hui Kwan Wah Hugo (Note 4)	155,330,000	–	155,330,000	15.35

Notes:

1. The 102,285,714 shares held by Exuberant Global Limited (“**Exuberant Global**”) represent 102,285,714 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 102,285,714 shares held by Exuberant Global.
2. The 65,331,428 shares held by Bustling Capital Limited (“**Bustling Capital**”) represent (i) 10,000,000 shares and (ii) 55,331,428 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 65,331,428 shares. (i.e. the Company had partially redeemed the convertible bonds on 31 December 2021. Therefore, 3,994,286 shares out of the aforesaid 55,331,428 shares to be issued upon conversion of convertible bonds had been extinguished.)
3. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 65,331,428 shares held by Bustling Capital.
4. The 155,330,000 shares are jointly held by Ms. Yip Sze Pui Fione and Mr. Hui Kwan Wah Hugo.
5. The percentage represents the number of shares interested divided by the number of the issued shares as at 30 June 2022 (i.e. 1,011,829,233 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 2022, 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**") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 2 August 2012 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

Eligible participants of the Share Option Scheme include Directors, non-executive officers including independent non-executive Directors, employees of the Group, customers of the Group, consultants, advisors, managers, officers or entities that provide research, development or other technological support to the Group.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the Interim Period. As at 30 June 2022, there was no outstanding share option under the Share Option Scheme.

No further share options could be granted under the Share Option Scheme after it expired on 2 August 2022.

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 2021 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:

Name of Director(s)	Details of Changes
Mr. Zhang Wei	— Director's fee adjusted from HK\$2,100,000 per annum to HK\$917,652 per annum with annual bonus adjusted from HK\$900,000 per annum to HK\$352,941 per annum and discretionary bonus with effect from 1 July 2022

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.

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 and Corporate Governance Report (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 2022.

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 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Ms. Li Wei and the independent non-executive Directors are Mr. Chen Yihua, Mr. Lee Zak Yuen and Mr. Chan Ngai Fan.

This announcement 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>.