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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 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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

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

*This announcement, for which the directors (the “**Directors**”) of Capital Finance Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

FINANCIAL RESULTS

The board (the “**Board**”) of Directors of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020 together with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	<u>41,595</u>	<u>62,550</u>
Other income and other gains and losses, net	4	2,779	1,875
Administrative and other expenses		(42,205)	(41,372)
(Charge)/Reversal of loss allowance for expected credit loss on loans to customers		(31,533)	3,010
Fair value gains on investment properties		225	3,108
Fair value gain on financial assets at fair value through profit or loss (“ FVTPL ”)		301	—
Finance costs	6	<u>(49,125)</u>	<u>(49,379)</u>
Loss before income tax	6	(77,963)	(20,208)
Income tax expenses	7	<u>(257)</u>	<u>(10,946)</u>
Loss for the year		<u>(78,220)</u>	<u>(31,154)</u>
Loss for the year attributable to:			
Owners of the Company		(75,952)	(36,849)
Non-controlling interests		<u>(2,268)</u>	<u>5,695</u>
		<u>(78,220)</u>	<u>(31,154)</u>
			(Restated)
Loss per share attributable to owners of the Company	9		
Basic and diluted (Hong Kong cents)		<u>(26.48)</u>	<u>(13.75)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Loss for the year	<u>(78,220)</u>	<u>(31,154)</u>
Other comprehensive income/(expense) for the year		
<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>248</u>	<u>(1,986)</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	<u>26,237</u>	<u>(10,294)</u>
Other comprehensive income/(expense) for the year, net of tax	<u>26,485</u>	<u>(12,280)</u>
Total comprehensive expense for the year	<u>(51,735)</u>	<u>(43,434)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(52,211)	(48,909)
Non-controlling interests	<u>476</u>	<u>5,475</u>
	<u>(51,735)</u>	<u>(43,434)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>10</i>	2,164	746
Right-of-use assets		5,700	7,377
Investment properties		6,759	8,112
Intangible assets	<i>11</i>	—	—
Goodwill	<i>12</i>	—	—
Equity investment at FVTOCI		5,409	4,850
Deferred tax assets		34,811	25,759
		<hr/> 54,843	<hr/> 46,844
Current assets			
Repossessed assets		2,253	—
Financial assets at FVTPL		16,864	—
Loans to customers	<i>13</i>	254,062	289,399
Prepayments, deposits and other receivables		3,535	1,156
Cash and cash equivalents		139,193	238,076
		<hr/> 415,907	<hr/> 528,631
Current liabilities			
Accrued expenses, other payables and deposits received		9,251	13,445
Tax payables		1,094	3,542
Dividends payable to non-controlling interests		580	—
Amount due to a shareholder		—	474
Promissory notes		5,334	20,279
Lease liabilities		1,408	1,584
		<hr/> 17,667	<hr/> 39,324
Net current assets		<hr/> 398,240	<hr/> 489,307
Total assets less current liabilities		<hr/> 453,083	<hr/> 536,151

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2020*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities		
Convertible bonds — liability component	422,921	461,025
Lease liabilities	4,143	4,139
	<u>427,064</u>	<u>465,164</u>
Net assets	<u>26,019</u>	<u>70,987</u>
Capital and reserves		
Issued capital	14,064	13,012
Reserves	(35,052)	8,355
	<u>(20,988)</u>	<u>21,367</u>
Equity attributable to owners of the Company	(20,988)	21,367
Non-controlling interests	47,007	49,620
	<u>26,019</u>	<u>70,987</u>
Total equity	<u>26,019</u>	<u>70,987</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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	—	—	—	—	—	—	—	—	(200)	(200)	(5)	(205)
Restated as at 1 January 2019	13,012	616,828	131,109	120,794	(75,051)	713,306	(1,093)	22,367	(1,630,951)	(89,679)	12,397	(77,282)
Loss for the year	—	—	—	—	—	—	—	—	(36,849)	(36,849)	5,695	(31,154)
Other comprehensive expense												
<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)	—	—	—
Transactions with owners												
Dividends declared 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 interest arising from acquisition of a 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	13,012	616,828	131,109	280,749	(85,125)	10,978	(3,079)	25,563	(968,668)	21,367	49,620	70,987

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2020

	Attributable to owners of the Company											
	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Convertible		Statutory reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
						bonds reserve <i>HK\$'000</i>	FVTOCI reserve <i>HK\$'000</i>					
As at 1 January 2020	13,012	616,828	131,109	280,749	(85,125)	10,978	(3,079)	25,563	(968,668)	21,367	49,620	70,987
Loss for the year	—	—	—	—	—	—	—	—	(75,952)	(75,952)	(2,268)	(78,220)
Other comprehensive income												
<i>Item that will not be reclassified to profit or loss:</i>												
Changes in fair value of equity investment at FVTOCI	—	—	—	—	—	—	248	—	—	248	—	248
<i>Item that may be reclassified subsequently to profit or loss:</i>												
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	23,493	—	—	—	—	23,493	2,744	26,237
Other comprehensive income for the year	—	—	—	—	23,493	—	248	—	—	23,741	2,744	26,485
Total comprehensive expense for the year	—	—	—	—	23,493	—	248	—	(75,952)	(52,211)	476	(51,735)
Transfer to statutory reserve	—	—	—	—	—	—	—	1,275	(1,275)	—	—	—
Transactions with owners												
Issue of new shares upon placing	1,052	8,557	—	—	—	—	—	—	—	9,609	—	9,609
Dividends declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,089)	(3,089)
Deemed capital contribution arising from liability portion of convertible bonds	—	—	—	2,136	—	—	—	—	—	2,136	—	2,136
Redemption of 2022 CB by cash	—	—	—	—	—	(1,696)	—	—	(193)	(1,889)	—	(1,889)
Transactions with owners	1,052	8,557	—	2,136	—	(1,696)	—	—	(193)	9,856	(3,089)	6,767
As at 31 December 2020	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

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 2020, 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 2019 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year or the Group early adopted in the current year as set out in Note 3.

3. **ADOPTION OF NEW/REVISED HKFRSs AND FUTURE CHANGES IN HKFRSs**

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

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

Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

Amendments to HKFRS 16: COVID-19-Related Rent Concessions

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 2021. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has elected to early adopt the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) and therefore the comparative information has not been restated.

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

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 ⁽¹⁾
Amendments to HKAS 16	Proceeds before Intended Use ⁽²⁾
Amendments to HKAS 37	Cost of Fulfilling a Contract ⁽²⁾
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁽²⁾
Annual Improvements to HKFRSs	2018–2020 Cycle ⁽²⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁽³⁾
HKFRS 17	Insurance Contracts ⁽³⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2021

⁽²⁾ Effective for annual periods beginning on or after 1 January 2022

⁽³⁾ Effective for annual periods beginning on or after 1 January 2023

⁽⁴⁾ The effective date to be determined

The Directors 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Revenue from other sources		
Interest income from loans to customers	38,840	60,878
Settlement gain from distressed debt assets classified in loans to customers	<u>1,586</u>	<u>1,553</u>
	40,426	62,431
Revenue from contracts with customers within HKFRS 15		
Financial consultancy income	<u>1,169</u>	<u>119</u>
Short-term financing services income	<u>41,595</u>	<u>62,550</u>
Other income and other gains and losses, net		
Bank interest income	2,813	1,332
Gain on modification of terms of a promissory note	215	—
(Loss)/Gain on disposal of property, plant and equipment	(1)	40
Loss on disposal of an investment property	(1,023)	—
Rental income from investment properties	25	20
Sundry income	<u>750</u>	<u>483</u>
	<u>2,779</u>	<u>1,875</u>

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 2020 and 2019.

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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	—	—	1,796	2,745
The PRC	41,595	62,550	12,827	13,490
	<u>41,595</u>	<u>62,550</u>	<u>14,623</u>	<u>16,235</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 2020 (2019: Nil).

6. LOSS BEFORE INCOME TAX

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

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance costs			
Effective interest expenses on			
— convertible bonds		47,467	47,363
— promissory notes		1,470	1,781
— lease liabilities		188	235
		<u>49,125</u>	<u>49,379</u>
Other items			
Staff costs (excluding directors' emoluments)			
Salaries, allowances and other benefits		14,025	17,189
Pension scheme contributions		1,037	2,000
		<u>15,062</u>	<u>19,189</u>
Auditor's remuneration			
— Audit services		756	943
— Non-audit services		382	473
Depreciation of property, plant and equipment	10	434	531
Depreciation of right-of-use assets		3,150	3,211
Exchange difference, net		(428)	58
Short-term or low value lease payments		110	—
		<u>110</u>	<u>—</u>

7. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
The PRC		
Current tax charge for the year	5,221	9,529
Over-provision in respect of prior years	(13)	—
	<u>5,208</u>	<u>9,529</u>
Withholding tax on dividends	2,137	1,136
Deferred tax (credited)/charged	<u>(7,088)</u>	<u>281</u>
Income tax expenses	<u>257</u>	<u>10,946</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 year ended 31 December 2020, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong (2019: 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% (2019: 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*, “Lhasa Jiade”), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the years ended 31 December 2020 and 2019. According to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises issued by Ministry of Finance and the State Administration of Taxation, the taxable income in the years ended 31 December 2020 and 2019 of certain subsidiaries of the Group established in the PRC were less than Renminbi (“RMB”) 3 million, which satisfies the provisions of the notice above. During the years ended 31 December 2020 and 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% (2019: 10%).

* English name is for identification purpose only

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before income tax	<u>(77,963)</u>	<u>(20,208)</u>
Tax calculated at the rates applicable to the tax jurisdiction concerned	(14,269)	334
Tax effect on income not taxable for tax purpose	(215)	(449)
Tax effect on expenses not deductible for tax purpose	12,746	11,256
Tax concession	(129)	(1,331)
Over-provision in respect of prior years	(13)	—
Withholding tax on dividends	<u>2,137</u>	<u>1,136</u>
Income tax expenses for the year	<u>257</u>	<u>10,946</u>

8. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2020 (2019: Nil). The Directors do not recommend for payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share for the current year and prior year is based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year are set forth below.

The calculation of diluted loss per share for the year is based on the loss for the year attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation of diluted loss per share is the number of ordinary shares in issue during the year and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2020, as the Company's outstanding convertible bonds had an anti-dilutive (2019: 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 2020 are equal (2019: equal).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculations	<u>(75,952)</u>	<u>(36,849)</u>
	Number of shares	
	2020	2019
	<i>'000</i>	<i>'000</i>
		(Restated)
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculations (<i>Notes a and b</i>)	<u>286,871</u>	<u>268,030</u>

Notes:

- (a) The weighted average number of ordinary shares of 286,870,850 for the year ended 31 December 2020 is derived from 1,301,118,056 in issue as at 1 January 2020 after taking into account the effects of (i) placing of shares under general mandate completed on 17 February 2020; (ii) the share consolidation with effect on 8 April 2020; and (iii) the rights issue became unconditional and completed as announced on 15 March 2021.
- (b) The weighted average number of ordinary shares of 268,030,319 for the year ended 31 December 2019 is derived from 1,301,118,056 in issue as at 1 January 2019 after taking into account the effect of (i) the share consolidation with effect on 8 April 2020; and (ii) the rights issue became unconditional and completed as announced on 15 March 2021.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
As at 1 January 2019	506	1,908	876	3,290
Additions	—	53	—	53
Disposal/Written off	—	(67)	(284)	(351)
Exchange realignments	—	(25)	(12)	(37)
As at 31 December 2019 and 1 January 2020	506	1,869	580	2,955
Additions	—	1,010	779	1,789
Disposal/Written off	—	(195)	—	(195)
Exchange realignments	—	120	94	214
As at 31 December 2020	506	2,804	1,453	4,763
Accumulated depreciation				
As at 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)
As at 31 December 2019 and 1 January 2020	506	1,384	319	2,209
Disposal/Written off	—	(185)	—	(185)
Charge for the year	—	330	104	434
Exchange realignments	—	59	82	141
As at 31 December 2020	506	1,588	505	2,599
Net carrying amount				
As at 31 December 2020	—	1,216	948	2,164
As at 31 December 2019	—	485	261	746

11. INTANGIBLE ASSETS

	Pawn Licences HK\$'000
Cost	
As at 1 January 2019	151,949
Exchange realignments	<u>(2,816)</u>
As at 31 December 2019 and 1 January 2020	149,133
Exchange realignments	<u>9,129</u>
As at 31 December 2020	<u>158,262</u>
Accumulated impairment losses	
As at 1 January 2019	151,949
Exchange realignments	<u>(2,816)</u>
As at 31 December 2019 and 1 January 2020	149,133
Exchange realignments	<u>9,129</u>
As at 31 December 2020	<u>158,262</u>
Net carrying amount	
As at 31 December 2020	<u>—</u>
As at 31 December 2019	<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 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 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 (as defined in Note 12) that includes goodwill. As at 31 December 2016, the recoverable amount of the Short-term Financing CGU fell below its carrying amount, the Directors concluded that, assessed together with goodwill (Note 12), should be fully impaired.

12. GOODWILL

	Short-term Financing CGU HK\$'000
Cost	
As at 1 January 2019	640,779
Exchange realignments	<u>(11,876)</u>
As at 31 December 2019 and 1 January 2020	628,903
Exchange realignments	<u>38,497</u>
As at 31 December 2020	<u>667,400</u>
Accumulated impairment losses	
As at 1 January 2019	640,779
Exchange realignments	<u>(11,876)</u>
As at 31 December 2019 and 1 January 2020	628,903
Exchange realignments	<u>38,497</u>
As at 31 December 2020	<u>667,400</u>
Net carrying amount	
As at 31 December 2020	<u>—</u>
As at 31 December 2019	<u>—</u>

Goodwill arising in prior years related to the acquisitions of equity interests in Prima Finance Holdings Limited (“**Prima Finance**”) and Sunny Bridge Investments Limited (“**Sunny Bridge**”) and its subsidiaries 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 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 concluded that goodwill and Pawn Licenses allocated to the Short-term Financing CGU had been fully impaired.

13. LOANS TO CUSTOMERS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Principal and interest receivables:		
Pawn loans	264,380	245,810
Micro-credit loans	97,326	99,233
Entrusted loans	13,875	12,784
Distressed debt assets	17,503	34,397
	<hr/>	<hr/>
Loans to customers, gross	393,084	392,224
Less:		
Loss allowance	(139,022)	(102,825)
	<hr/>	<hr/>
Loans to customers, net	254,062	289,399
	<hr/>	<hr/>

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 2020 and 2019 under the requirements of HKFRS 9:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Neither overdue nor credit-impaired	172,985	180,738
Overdue but not credit-impaired		
— overdue within 30 days	33,148	39,160
— overdue 30 to 90 days	16,914	36,833
Overdue and credit-impaired		
— overdue more than 90 days	170,037	135,493
	<hr/>	<hr/>
	393,084	392,224
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2020, 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 2020 of approximately HK\$41,595,000 (2019: approximately HK\$62,550,000), representing a decrease of approximately HK\$20,955,000 as compared with last year. The decrease in total revenue was mainly attributable to the decrease in interest income from short-term financing services during the year ended 31 December 2020 as a result of the unfavorable economic environment and the extreme market and operating conditions caused by the COVID-19 pandemic.

The administrative and other expenses for the year ended 31 December 2020 has slightly increased from approximately HK\$41,372,000 in the year 2019 to approximately HK\$42,205,000.

Other income and other gains and losses for the year ended 31 December 2020 was approximately HK\$2,779,000 (2019: approximately HK\$1,875,000), which represents an increase of approximately HK\$904,000 when compared to the year 2019. The increase was mainly attributable to the increase in bank interest income of approximately HK\$1,481,000 in the current year.

The Group recorded charge of loss allowance for ECLs for the year ended 31 December 2020 of approximately HK\$31,533,000 while reversal of loss allowance for ECLs of approximately HK\$3,010,000 was recorded in the year 2019. The turnaround on loss allowance for ECLs was mainly due to the deterioration of the customers' aging as a result of the unfavorable economic environment, including the weakened global economy and uncertainties arising from the tensions between China and the United States of America (the "USA") and the COVID-19 pandemic.

The loss attributable to the owners of the Company for the year ended 31 December 2020 was approximately HK\$75,952,000 (2019: approximately HK\$36,849,000). The increase in loss attributable to the owners of the Company was mainly attributable to the net-off effect of (i) decrease in total revenue by approximately HK\$20,955,000; (ii) increase in charge of loss allowance for ECLs by approximately HK\$34,543,000; and (iii) decrease in income tax expenses by approximately HK\$10,689,000 mainly due to the corresponding deferred tax impact arising from the deterioration in loss allowance for ECLs.

Short-term financing services

During the year ended 31 December 2020, the financial results of short-term financing services were substantially contributed by loan businesses and financial consultancy services of the Group, in which the revenue of these businesses was approximately HK\$39,197,000 (2019: approximately HK\$60,997,000); and the operating results of these businesses recorded a loss before income tax of approximately HK\$6,755,000 (2019: profit before income tax of approximately HK\$41,630,000). The turnaround in operating results was mainly attributable to the combined effect of (i) decrease in revenue by approximately HK\$21,800,000; and (ii) increase in charge of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts) by approximately HK\$21,878,000.

PROSPECTS

Looking forward, the persistent tensions between China and the USA, combined with the COVID-19 pandemic will continue to bring uncertainties to the market and the operations of businesses. The domestic economy in the PRC is still encountering downward pressure. In this regard, the People's Bank of China (the "PBOC") is carrying out prudent and moderately flexible monetary policies to continue maintaining necessary supports for the economic recovery and encourage commercial banks to place more resources to provide financing services to micro and small businesses (the "MSBs"). Despite the uncertainties in market and fierce competition in the financial industry, the Group's short-term financing service business will continue to offer faster and more flexible services to the MSBs and the individual borrowers. At the same time, the Group will actively adjust its operation strategy on this business and seek optimization and transformation to maintain its competitiveness in the market. On the other hand, the COVID-19 pandemic and unstable external market environment has led to an overall increase in non-performing debts as well as default rates in the PRC. We will try to expand the acquisition channels of non-performing debts and strengthen cooperation with peer companies, so that the Group could acquire more high quality distressed debt assets and deploy our established professional team to manage these assets.

Going forward to 2021, the Group will continue to explore new investment opportunities in order to broaden and diversify our income stream and adopt cost-effective policies to improve the overall financial performance of the Group and to maximise the value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had other debts comprising promissory notes and liability component of convertible bonds of approximately HK\$428,255,000 (2019: approximately HK\$481,304,000). 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 2020, the Group had cash and cash equivalents of approximately HK\$139,193,000 (2019: approximately HK\$238,076,000) 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 and external fund raising activities from the capital market.

As at 31 December 2020, the gearing ratio for the Group was approximately negative 20.4 due to the Group's negative equity position (2019: approximately positive 22.5), calculated based on the total debts of approximately HK\$428,255,000 (2019: approximately HK\$481,304,000) over shareholder's equity of approximately negative HK\$20,988,000 (2019: approximately positive HK\$21,367,000). The debt ratio was approximately 0.94 (2019: approximately 0.88), calculated as total liabilities over total assets of the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders of the Company (the "Shareholders"), issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group as at 31 December 2020 is summarised as follows:

(i) Bank Borrowings

There were no bank borrowings outstanding as at 31 December 2020 (2019: Nil).

(ii) Promissory Notes

As at 31 December 2020, the Company had a promissory note issued as part of the consideration for the acquisition of the Prima Finance and Sunny Bridge and its subsidiaries outstanding. Summary of the promissory notes is as follows:

Date of issue	Principal amount as at 1 January 2020 (HK\$)	Interest rate per annum	Principal repayment due date (Note)	Redeemed principal amount (HK\$)	Outstanding principal amount as at 31 December 2020 (HK\$)
6 February 2015	20,000,000	8%	6 February 2021	(15,000,000)	5,000,000

Note: On 29 January 2021, the Company and the holder of the promissory note entered into an amendment agreement, to extend the maturity date of the promissory note by 53 days from 6 February 2021 to 31 March 2021 and to carry interest at the rate of 8% per annum based on the actual number of borrowing days.

(iii) Convertible Bonds

As at 31 December 2020, the Company had 2 series of non-interest bearing convertible bonds issued as part of the consideration of the acquisition of the Prima Finance and Sunny Bridge and its subsidiaries outstanding. Summary of the convertible bonds is as follows:

Date of issue	Principal amount as at 1 January 2020 (HK\$)	Maturity date	Conversion price per share	Amount converted into shares during the year (HK\$)	Amount redeemed during the year (HK\$)	Outstanding principal amount as at 31 December 2020 (HK\$)	Number of shares to be issued upon full conversion as at 31 December 2020
25 June 2014	387,200,000	24 June 2022	HK\$1.75	—	(98,851,000)	288,349,000	164,770,856
6 February 2015	194,000,000	5 February 2023	HK\$1.75	—	—	194,000,000	110,857,142

(iv) Share Consolidation and Change in Board Lot Size

On 7 February 2020, the Company proposed to (i) implement the share consolidation pursuant to which every five (5) Existing Shares (as defined in the circular dated 28 February 2020 (the “**Circular**”)) would be consolidated into one (1) Consolidated Share (as defined in the Circular) (the “**Share Consolidation**”); and (ii) change 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 Share Consolidation was approved by the Shareholders at the special general meeting held on 6 April 2020 and became effective on 8 April 2020.

Details of the Share Consolidation and change in board lot size are set out in the Company’s announcements dated 7 February 2020 and 6 April 2020 and the Circular.

FUND RAISING ACTIVITIES

Placing of New Shares under General Mandate

On 30 January 2020, the Company and a placing agent entered into a placing agreement pursuant to which the placing agent agreed to procure not less than six independent placees (the “**Placees**”) to subscribe for a maximum of 105,264,000 new ordinary shares of HK\$0.01 each of the Company at the placing price of HK\$0.095 per share (the “**Placing**”). The net subscription price per placing share after deducting the related expenses of the Placing was approximately HK\$0.091 per share. The Company intended to apply the net proceeds from the Placing for settlement of outstanding short-term liabilities of the Company. The Directors considered that the Placing was the most efficient way to raise capital in order to maintain a sufficient cash position of the Group and to enhance the capital base of the Company. The Directors considered that the Placing also represented an opportunity for the Group to raise equity capital to reduce the liabilities of the Company. The closing price was HK\$0.113 per share as quoted on the Exchange on 30 January 2020, being the date of the placing agreement. 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 were placed to the Placees on 17 February 2020.

The details of the net proceeds and the use of proceeds from the Placing are set out in the section headed “Use of Proceeds” below.

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

Rights Issue on the Basis of Two Rights Shares for Every One Existing Share held on Record Date on a Non-underwritten Basis

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, to raise up to approximately HK\$75.9 million before expenses by issuing up to 562,552,822 rights shares, with nominal value of HK\$0.05 each, to the qualifying shareholders of the Company (the “**Rights Issue**”). The net subscription price per rights share after deducting the related expenses of the Rights Issue was approximately HK\$0.13 per share. The Rights Issue was proposed to proceed on a non-underwritten basis irrespective of the level of acceptance of the provisional allotted rights shares and the Company would make compensatory arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the unsubscribed rights shares and the non-qualifying unsold rights shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. The Company therefore appointed a placing agent to place the unsubscribed rights shares under the Rights Issue to independent placees at a placing price not less than the subscription price of the Rights Issue (i.e. HK\$0.135 per share). The closing price of the share was HK\$0.129 per share as quoted on the Exchange on 3 December 2020, being the date of the announcement of the proposed Rights Issue.

In view of the recent economic environment and the Group’s indebtedness position, the Directors considered that the Rights Issue shall be able to strengthen the capital base, enhance the liquidity and lower the gearing ratio of the Company and give the qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company.

The Rights Issue was approved by the independent Shareholders at the special general meeting of the Company held on 26 January 2021 and subsequently became unconditional and completed as announced on 15 March 2021. As such, 131,967,283 shares and 430,585,539 shares were issued and allotted under the Rights Issue and the placing respectively. The details of the net proceeds and the use of proceeds from the Rights Issue are set out in the section headed “Use of Proceeds” below.

Details of the Rights Issue are set out in the Company’s announcements dated 3 December 2020, 26 January 2021, 4 March 2021 and 15 March 2021, the Company’s circular dated 7 January 2021 and the Company’s prospectus dated 9 February 2021 (the “**Prospectus**”).

During the year ended 31 December 2020, save as disclosed above, the Group did not process any other fund raising activities.

USE OF PROCEEDS

Placing of New Shares under General Mandate

The actual net proceeds raised from the Placing was approximately HK\$9.6 million. Up to 31 December 2020, the Group has utilised the whole sum as follows:

	Intended use of net proceeds <i>HK\$’000</i>	Actual use of net proceeds up to 31 December 2020 <i>HK\$’000</i>	Unutilised net proceeds up to 31 December 2020 <i>HK\$’000</i>
Settlement of outstanding short-term liabilities of the Company	9,609	9,609	–

Rights Issue on the Basis of Two Rights Shares for Every One Existing Share held on Record Date on a Non-underwritten Basis

The actual net proceeds raised from the Rights Issue was approximately HK\$72.1 million. There was no net proceeds from the Rights Issue for the year ended 31 December 2020. Up to the date of this announcement, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds as stated in the Prospectus <i>HK\$'000</i>	Actual use of net proceeds up to the date of this announcement <i>HK\$'000</i>	Unutilised net proceeds up to the date of this announcement <i>HK\$'000</i>	Expected timeline for the intended use
Repayment of promissory note	5,400	5,400	–	N/A
Repayment of convertible bonds	35,000	–	35,000	On or before 30 April 2021
Establishment of new business on biotechnology side and business development of the Group in the PRC	20,000	–	20,000	On or before 31 May 2021
General working capital	11,682	–	11,682	On or before 30 September 2021
	72,082	5,400	66,682	

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Equity investment – 渤海信託•2020普誠66號集合資金信託計劃 (Bohai Trust • 2020 Pucheng No. 66 Collective Fund Trust*) (the “Trust Fund”)

On 28 September 2020, (i) Lhasa Jiade, an indirect wholly-owned subsidiary of the Company, as an applicant subscribed for 10 million secondary units of the Trust Fund established by Bohai International Trust Co., Ltd. as the trustee (the “Trustee”), in an amount of RMB10 million (equivalent to approximately HK\$11.4 million) (the “Subscription”); and (ii) Beijing Wanchi Technology Company Limited* (“Beijing Wanchi”), an indirect wholly-owned subsidiary of the Company, as manager and the Trustee entered into a management service agreement to appoint Beijing Wanchi as a manager of the Trust Fund (the “Management Service”).

* English name is for identification purpose only

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

Details of the abovementioned Subscription and Management Service are set out in the Company's announcements dated 28 September 2020 and 5 February 2021.

The purpose of the Trust Fund is to, among others, provide loans with property pledge as securities to individual borrowers in Beijing for production and operating activities. During the year ended 31 December 2020, the Trust Fund has lent out approximately RMB39.0 million (equivalent to approximately HK\$46.2 million) in total to 7 individual borrowers, which is expected to generate total interest income of approximately RMB3.9 million (equivalent to approximately HK\$4.6 million) to the Trust Fund.

During the year ended 31 December 2020, the Group did not receive any return from the Trust Fund in respect of its capital contribution. As at 31 December 2020, based on the valuation performed by Valtech Valuation Advisory Limited, an independent professional valuer, the fair value of 10 million secondary units of the Trust Fund (i.e. represented 25% interests of the Trust Fund) held by the Group is approximately RMB10,268,000 (equivalent to approximately HK\$12,175,000), which represented approximately 2.6% and 31.8% of the consolidated total assets and market capitalisation of the Company respectively. Changes in fair value of the 10 million secondary units of the Trust Fund held by the Group of approximately HK\$301,000 was recognised in profit or loss for the year ended 31 December 2020.

During the year ended 31 December 2020, save as disclosed above, the Group did not process any other significant investment, acquisition or disposal of subsidiaries or associated companies.

CHARGE OF GROUP ASSETS

As at 31 December 2020, the Group did not have any assets under charge (2019: 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 2020, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currency, i.e. RMB, used by the respective group entities.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2020, 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 2020, 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 2020, the Group did not have any material contingent liability (2019: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 68 employees (2019: 75 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 2020 amounted to approximately HK\$15,062,000 (2019: approximately HK\$19,189,000).

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 2020.

EVENTS AFTER REPORTING PERIOD

Extension and Subsequent Settlement of Promissory Note

On 29 January 2021, the Company and the holder of the promissory note with principal of HK\$5 million (“**Promissory Note**”) entered into an amendment agreement, to extend the maturity date of the Promissory Note by 53 days from 6 February 2021 to 31 March 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 shall remain unchanged. On 18 March 2021, all outstanding principal and accrued interests of HK\$5,000,000 and approximately HK\$444,000 were early settled by the Company.

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 2020.

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 2020, 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 the chairman and the 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 of the Company 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 2020.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the year ended 31 December 2020, 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 2020 as set out in this announcement have been agreed by the Group’s auditor, Mazars CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited in this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this announcement, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the year ended 31 December 2020.

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

Hong Kong, 19 March 2021

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>.