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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 2022**

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

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

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

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

## FINANCIAL RESULTS

The board (the “**Board**”) of Directors of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with comparative figures for the year ended 31 December 2021 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2022*

|  | <i>Notes</i> | <b>2022</b><br><b>HK\$'000</b> | 2021<br>HK\$'000 |
|--|--------------|--------------------------------|------------------|
| Revenue  | 4            | <u>46,483</u>                  | <u>45,376</u>    |
| Other income and other gains and losses, net   | 4            | <b>9,097</b>                   | 2,983            |
| Administrative and other expenses  |              | <b>(35,767)</b>                | (38,479)         |
| (Charge)/Reversal of loss allowance for expected credit loss on loans to customers   |              | <b>(6,081)</b>                 | 25,642           |
| Fair value losses on investment properties   |              | <b>(1,095)</b>                 | (156)            |
| Fair value (losses)/gains on financial assets at fair value through profit or loss (“FVTPL”)                                 |              | <b>(8,562)</b>                 | 5,670            |
| Write-off of financial assets at FVTPL   |              | —                              | (4,763)          |
| Write-off of repossessed assets  |              | —                              | (2,288)          |
| Gain on extinguishment of bond payables and liability component of convertible bonds   |              | <b>26,944</b>                  | —                |
| Cumulative exchange loss previously recognised in other comprehensive income arising from the deregistration of a subsidiary |              | <b>(1,201)</b>                 | —                |
| Loss on disposal of a subsidiary   |              | —                              | (2,284)          |
| Share of loss of a joint venture   |              | <b>(5,425)</b>                 | (549)            |
| Finance costs  | 6            | <u>(25,678)</u>                | <u>(39,565)</u>  |
| <b>Loss before income tax</b>  | 6            | <b>(1,285)</b>                 | (8,413)          |
| Income tax expenses  | 7            | <u>(2,996)</u>                 | <u>(15,624)</u>  |
| <b>Loss for the year</b>   |              | <u><b>(4,281)</b></u>          | <u>(24,037)</u>  |
| <b>Loss for the year attributable to:</b>  |              |                                |                  |
| Owners of the Company  |              | <b>(7,626)</b>                 | (19,017)         |
| Non-controlling interests  |              | <b>3,345</b>                   | (5,020)          |
|  |              | <u><b>(4,281)</b></u>          | <u>(24,037)</u>  |
|  |              |                                | (Restated)       |
| <b>Loss per share attributable to owners of the Company</b>  | 9            |                                |                  |
| Basic and diluted (Hong Kong cents)  |              | <u><b>(15.01)</b></u>          | <u>(51.64)</u>   |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

|   | <b>2022</b>            | 2021                   |
|---|------------------------|------------------------|
|   | <i>HK\$'000</i>        | <i>HK\$'000</i>        |
| <b>Loss for the year</b>  | <b><u>(4,281)</u></b>  | <b><u>(24,037)</u></b> |
| <b>Other comprehensive (expense)/income for the year</b>  |                        |                        |
| <i>Item that will not be reclassified to profit or loss:</i>  |                        |                        |
| — Changes in fair value of equity investment at fair value through other comprehensive income (“FVTOCI”)  | <u>—</u>               | <u>2,937</u>           |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                                     |                        |                        |
| — Exchange differences on translation of share of other comprehensive (expense)/income of a joint venture | <u>(268)</u>           | <u>99</u>              |
| — Exchange differences on translation of financial statements of foreign operations                       | <u>(26,817)</u>        | <u>13,469</u>          |
| <i>Item that has been reclassified to profit or loss:</i>   |                        |                        |
| — Reclassification on exchange reserve upon disposal of a subsidiary                                      | <u>—</u>               | <u>2,674</u>           |
| — Reclassification on exchange reserve upon deregistration of a subsidiary                                | <u>1,201</u>           | <u>—</u>               |
| <b>Other comprehensive (expense)/income for the year, net of tax</b>                                      | <b><u>(25,884)</u></b> | <b><u>19,179</u></b>   |
| <b>Total comprehensive expense for the year</b>   | <b><u>(30,165)</u></b> | <b><u>(4,858)</u></b>  |
| <b>Total comprehensive expense attributable to:</b>   |                        |                        |
| Owners of the Company   | <u>(30,194)</u>        | <u>(1,303)</u>         |
| Non-controlling interests   | <u>29</u>              | <u>(3,555)</u>         |
|   | <b><u>(30,165)</u></b> | <b><u>(4,858)</u></b>  |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

|  | <i>Notes</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                                  |              |                                |                         |
| Property, plant and equipment                              | <i>10</i>    | <b>1,344</b>                   | 1,804                   |
| Right-of-use assets  |              | <b>5,218</b>                   | 5,607                   |
| Investment properties                                      |              | <b>5,240</b>                   | 6,824                   |
| Intangible assets  | <i>11</i>    | —                              | —                       |
| Goodwill   | <i>12</i>    | —                              | —                       |
| Investment in a joint venture                              |              | —                              | 5,702                   |
| Deferred tax assets  |              | <b>27,571</b>                  | 28,635                  |
|  |              | <b>39,373</b>                  | 48,572                  |
| <b>Current assets</b>                                      |              |                                |                         |
| Repossessed assets   |              | —                              | —                       |
| Financial assets at FVTPL                                  |              | <b>575</b>                     | 5,626                   |
| Loans to customers   | <i>13</i>    | <b>148,655</b>                 | 247,252                 |
| Prepayments, deposits and other receivables                |              | <b>1,099</b>                   | 10,572                  |
| Cash and cash equivalents                                  |              | <b>105,158</b>                 | 95,905                  |
|  |              | <b>255,487</b>                 | 359,355                 |
| Equity investment at FVTOCI classified<br>as held for sale |              | —                              | 8,576                   |
|  |              | <b>255,487</b>                 | 367,931                 |
| <b>Current liabilities</b>                                 |              |                                |                         |
| Accrued expenses, other payables and deposits<br>received  |              | <b>9,745</b>                   | 9,739                   |
| Tax payables   |              | <b>1,370</b>                   | 2,078                   |
| Amount due to a director                                   |              | <b>2,160</b>                   | —                       |
| Convertible bonds — liability component                    |              | <b>50,588</b>                  | 99,731                  |
| Lease liabilities  |              | <b>1,508</b>                   | 1,639                   |
|  |              | <b>65,371</b>                  | 113,187                 |
| <b>Net current assets</b>                                  |              | <b>190,116</b>                 | 254,744                 |
| <b>Total assets less current liabilities</b>               |              | <b>229,489</b>                 | 303,316                 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2022

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Non-current liabilities</b>   |                         |                         |
| Convertible bonds — liability component  | 124,399                 | 181,467                 |
| Lease liabilities  | <u>3,775</u>            | <u>3,985</u>            |
|  | <u>128,174</u>          | <u>185,452</u>          |
| <b>Net assets</b>  | <u><b>101,315</b></u>   | <u><b>117,864</b></u>   |
| <b>Capital and reserves</b>  |                         |                         |
| Issued capital   | 58,091                  | 50,591                  |
| Reserves   | 2,159                   | 24,305                  |
| Amounts recognised in other comprehensive income and accumulated in equity relating to equity investment at FVTOCI held for sale | <u>—</u>                | <u>106</u>              |
| Equity attributable to owners of the Company   | 60,250                  | 75,002                  |
| Non-controlling interests  | <u>41,065</u>           | <u>42,862</u>           |
| Total equity   | <u><b>101,315</b></u>   | <u><b>117,864</b></u>   |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

|   | Attributable to owners of the Company |                |                     |                 |                  |                           |                |                   |                    |               | Non-controlling interests | Total equity   |
|---|---------------------------------------|----------------|---------------------|-----------------|------------------|---------------------------|----------------|-------------------|--------------------|---------------|---------------------------|----------------|
|   | Issued capital                        | Share premium  | Contributed surplus | Capital reserve | Exchange reserve | Convertible bonds reserve | FVTOCI reserve | Statutory reserve | Accumulated losses | Total         |                           |                |
|   | HK\$'000                              | HK\$'000       | HK\$'000            | HK\$'000        | HK\$'000         | HK\$'000                  | HK\$'000       | HK\$'000          | HK\$'000           | HK\$'000      | HK\$'000                  | HK\$'000       |
| As at 1 January 2021  | 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 year   | —                                     | —              | —                   | —               | —                | —                         | —              | —                 | (19,017)           | (19,017)      | (5,020)                   | (24,037)       |
| <b>Other comprehensive income</b>   |                                       |                |                     |                 |                  |                           |                |                   |                    |               |                           |                |
| <i>Item that will not be reclassified to profit or loss:</i>                    |                                       |                |                     |                 |                  |                           |                |                   |                    |               |                           |                |
| Changes in fair value of equity investment at FVTOCI                            | —                                     | —              | —                   | —               | —                | —                         | 2,937          | —                 | —                  | 2,937         | —                         | 2,937          |
| <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                        | —                                     | —              | —                   | —               | 99               | —                         | —              | —                 | —                  | 99            | —                         | 99             |
| — financial statements of foreign operations                                    | —                                     | —              | —                   | —               | 12,004           | —                         | —              | —                 | —                  | 12,004        | 1,465                     | 13,469         |
| <i>Item that has been reclassified to profit or loss:</i>                       |                                       |                |                     |                 |                  |                           |                |                   |                    |               |                           |                |
| Reclassification on exchange reserve upon disposal of a subsidiary              | —                                     | —              | —                   | —               | 2,674            | —                         | —              | —                 | —                  | 2,674         | —                         | 2,674          |
| Other comprehensive income for the year   | —                                     | —              | —                   | —               | 14,777           | —                         | 2,937          | —                 | —                  | 17,714        | 1,465                     | 19,179         |
| Total comprehensive expense for the year  | —                                     | —              | —                   | —               | 14,777           | —                         | 2,937          | —                 | (19,017)           | (1,303)       | (3,555)                   | (4,858)        |
| Transfer to statutory reserve   | —                                     | —              | —                   | —               | —                | —                         | —              | 2,143             | (2,143)            | —             | —                         | —              |
| Transfer upon disposal of a subsidiary  | —                                     | —              | —                   | —               | —                | —                         | —              | (3,096)           | 3,096              | —             | —                         | —              |
| <b>Transactions with owners</b>   |                                       |                |                     |                 |                  |                           |                |                   |                    |               |                           |                |
| Issue of new shares upon rights issue   | 28,127                                | 43,955         | —                   | —               | —                | —                         | —              | —                 | —                  | 72,082        | —                         | 72,082         |
| Issue of new shares upon placing  | 8,400                                 | 16,813         | —                   | —               | —                | —                         | —              | —                 | —                  | 25,213        | —                         | 25,213         |
| Dividends declared to non-controlling interests                                 | —                                     | —              | —                   | —               | —                | —                         | —              | —                 | —                  | —             | (590)                     | (590)          |
| Deemed capital contribution arising from liability portion of convertible bonds | —                                     | —              | —                   | 4,002           | —                | —                         | —              | —                 | —                  | 4,002         | —                         | 4,002          |
| Redemption of 2022 CB (As defined in Annual Report 2021) by cash                | —                                     | —              | —                   | —               | —                | (3,235)                   | —              | —                 | (769)              | (4,004)       | —                         | (4,004)        |
| Transactions with owners  | 36,527                                | 60,768         | —                   | 4,002           | —                | (3,235)                   | —              | —                 | (769)              | 97,293        | (590)                     | 96,703         |
| As at 31 December 2021  | <u>50,591</u>                         | <u>686,153</u> | <u>131,109</u>      | <u>286,887</u>  | <u>(46,855)</u>  | <u>6,047</u>              | <u>106</u>     | <u>25,885</u>     | <u>(1,064,921)</u> | <u>75,002</u> | <u>42,862</u>             | <u>117,864</u> |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2022

|   | Attributable to owners of the Company |                           |                                 |                             |                              |                                       |                            |                               |                                |                   | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|---|---------------------------------------|---------------------------|---------------------------------|-----------------------------|------------------------------|---------------------------------------|----------------------------|-------------------------------|--------------------------------|-------------------|---------------------------------------|--------------------------|
|   | Issued capital<br>HK\$'000            | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Capital reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Convertible bonds reserve<br>HK\$'000 | FVTOCI reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 |                                       |                          |
| As at 1 January 2022  | 50,591                                | 686,153                   | 131,109                         | 286,887                     | (46,855)                     | 6,047                                 | 106                        | 25,885                        | (1,064,921)                    | 75,002            | 42,862                                | 117,864                  |
| Loss for the year   | —                                     | —                         | —                               | —                           | —                            | —                                     | —                          | —                             | (7,626)                        | (7,626)           | 3,345                                 | (4,281)                  |
| <b>Other comprehensive (expense)/income</b>                                     |                                       |                           |                                 |                             |                              |                                       |                            |                               |                                |                   |                                       |                          |
| <i>Items that may be reclassified subsequently to profit or loss:</i>           |                                       |                           |                                 |                             |                              |                                       |                            |                               |                                |                   |                                       |                          |
| Exchange differences on translation of  |                                       |                           |                                 |                             |                              |                                       |                            |                               |                                |                   |                                       |                          |
| — share of other comprehensive expense of a joint venture                       | —                                     | —                         | —                               | —                           | (268)                        | —                                     | —                          | —                             | —                              | (268)             | —                                     | (268)                    |
| — financial statements of foreign operations                                    | —                                     | —                         | —                               | —                           | (23,501)                     | —                                     | —                          | —                             | —                              | (23,501)          | (3,316)                               | (26,817)                 |
| <i>Item that has been reclassified to profit or loss:</i>                       |                                       |                           |                                 |                             |                              |                                       |                            |                               |                                |                   |                                       |                          |
| Reclassification on exchange reserve upon deregistration of a subsidiary        | —                                     | —                         | —                               | —                           | 1,201                        | —                                     | —                          | —                             | —                              | 1,201             | —                                     | 1,201                    |
| Other comprehensive expense for the year  | —                                     | —                         | —                               | —                           | (22,568)                     | —                                     | —                          | —                             | —                              | (22,568)          | (3,316)                               | (25,884)                 |
| Total comprehensive expense for the year  | —                                     | —                         | —                               | —                           | (22,568)                     | —                                     | —                          | —                             | (7,626)                        | (30,194)          | 29                                    | (30,165)                 |
| Transfer to statutory reserve   | —                                     | —                         | —                               | —                           | —                            | —                                     | —                          | 1,541                         | (1,541)                        | —                 | —                                     | —                        |
| Transfer upon deregistration of a subsidiary                                    | —                                     | —                         | —                               | —                           | —                            | —                                     | —                          | (4,495)                       | 4,495                          | —                 | —                                     | —                        |
| Transfer upon disposal of equity investment at FVTOCI                           | —                                     | —                         | —                               | —                           | —                            | —                                     | (106)                      | —                             | 106                            | —                 | —                                     | —                        |
| <b>Transactions with owners</b>   |                                       |                           |                                 |                             |                              |                                       |                            |                               |                                |                   |                                       |                          |
| Dividends declared to non-controlling interests                                 | —                                     | —                         | —                               | —                           | —                            | —                                     | —                          | —                             | —                              | —                 | (1,826)                               | (1,826)                  |
| Deemed capital contribution arising from liability portion of convertible bonds | —                                     | —                         | —                               | 4,742                       | —                            | —                                     | —                          | —                             | —                              | 4,742             | —                                     | 4,742                    |
| Deemed capital contribution arising from bond payables                          | —                                     | —                         | —                               | 13,006                      | —                            | —                                     | —                          | —                             | —                              | 13,006            | —                                     | 13,006                   |
| Transferred to accumulated losses upon mature of 2022 CB                        | —                                     | —                         | —                               | —                           | —                            | (1,713)                               | —                          | —                             | 1,713                          | —                 | —                                     | —                        |
| Extinguishment of 2023 CB (As defined in Annual Report 2021)                    | —                                     | —                         | —                               | —                           | —                            | (4,141)                               | —                          | —                             | 4,141                          | —                 | —                                     | —                        |
| Recognition of New 2022 CB and New 2023 CB (As defined in Interim Report 2022)  | —                                     | —                         | —                               | —                           | —                            | 33,357                                | —                          | —                             | (33,357)                       | —                 | —                                     | —                        |
| Redemption of 2023 CB by cash   | —                                     | —                         | —                               | —                           | —                            | (193)                                 | —                          | —                             | (52)                           | (245)             | —                                     | (245)                    |
| Redemption of New 2022 CB and New 2023 CB by cash                               | —                                     | —                         | —                               | —                           | —                            | (10,239)                              | —                          | —                             | 1,084                          | (9,155)           | —                                     | (9,155)                  |
| Conversion of New 2022 CB   | 7,500                                 | 619                       | —                               | —                           | —                            | (1,025)                               | —                          | —                             | —                              | 7,094             | —                                     | 7,094                    |
| Transactions with owners  | 7,500                                 | 619                       | —                               | 17,748                      | —                            | 16,046                                | —                          | —                             | (26,471)                       | 15,442            | (1,826)                               | 13,616                   |
| As at 31 December 2022  | <u>58,091</u>                         | <u>686,772</u>            | <u>131,109</u>                  | <u>304,635</u>              | <u>(69,423)</u>              | <u>22,093</u>                         | <u>—</u>                   | <u>22,931</u>                 | <u>(1,095,958)</u>             | <u>60,250</u>     | <u>41,065</u>                         | <u>101,315</u>           |

Notes:

## 1. CORPORATE INFORMATION

Capital Finance Holdings Limited (the “**Company**”) was previously incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on GEM of the Exchange. The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is at Unit 2613A, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

The Company is principally engaged in investment holding. The Group is principally engaged in the provision of short-term financing services in the People’s Republic of China (the “**PRC**”) and Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is same as the functional currency of the Company, and rounded to the nearest thousands unless otherwise stated.

## 2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in Note 3.



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

#### Adoption of new/revised HKFRSs

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

|                               |   |
|-------------------------------|---|
| Amendments to HKFRS 16        | Covid-19-Related Rent Concessions Beyond 30 June 2021 |
| Amendments to HKAS 16         | Proceeds before Intended Use                          |
| Amendments to HKAS 37         | Cost of Fulfilling a Contract                         |
| Amendments to HKFRS 3         | Reference to the Conceptual Framework                 |
| Annual Improvements to HKFRSs | 2018–2020 Cycle                                       |

#### *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.

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

#### *Amendments to HKAS 16: Proceeds before Intended Use*

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

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

#### *Amendments to HKAS 37: Cost of Fulfilling a Contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that

relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

### ***Amendments to HKFRS 3: Reference to the Conceptual Framework***

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

### ***Annual Improvements Project — 2018–2020 Cycle***

#### ***HKFRS 1: Subsidiary as a First-time Adopter***

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent — i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

#### ***HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities***

This amendment clarifies that — for the purpose of performing the “10 per cent test” for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

### *HKFRS 16: Lease Incentives*

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

### *HKAS 41: Taxation in Fair Value Measurements*

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

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 1               | Disclosure of Accounting Policies <sup>1</sup>   |
| Amendments to HKAS 8               | Definition of Accounting Estimates <sup>1</sup>  |
| Amendments to HKAS 12              | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>      |
| HKFRS 17                           | Insurance Contracts <sup>1</sup>   |
| Amendment to HKFRS 17              | Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information <sup>1</sup>                 |
| Amendments to HKAS 1               | Classification of Liabilities as Current or Non-current <sup>2</sup>                               |
| Amendments to HKAS 1               | Non-current Liabilities with Covenants <sup>2</sup>  |
| Amendments to HKFRS 16             | Lease Liability in a Sale and Leaseback <sup>2</sup>   |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> The effective date to be determined

The Directors of the Company are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

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

The Group's revenue represents the short-term financing services income. An analysis of the Group's revenue, other income and other gains and losses, net is as follows:

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Revenue</b>  |                         |                         |
| <b>Revenue from other sources</b>   |                         |                         |
| Interest income from loans to customers   | 36,900                  | 44,531                  |
| Settlement gain from distressed debt assets classified<br>in loans to customers | 9,392                   | 114                     |
|   | <u>46,292</u>           | <u>44,645</u>           |
| <b>Revenue from contracts with customers within<br/>HKFRS 15</b>                |                         |                         |
| Financial consultancy income ( <i>Note (i)</i> )                                | 191                     | 731                     |
|   | <u>46,483</u>           | <u>45,376</u>           |
| Short-term financing services income  | <u>46,483</u>           | <u>45,376</u>           |
| <b>Other income and other gains and losses, net</b>                             |                         |                         |
| Bank interest income  | 1,512                   | 2,159                   |
| Gain on early redemption of convertible bonds                                   | 5,190                   | 126                     |
| Gain on disposal of repossessed assets  | 6                       | —                       |
| Government grants ( <i>Note (ii)</i> )  | 150                     | —                       |
| Loss on early termination of a lease  | —                       | (54)                    |
| Loss on disposal of property, plant and equipment                               | —                       | (24)                    |
| Loss on redemption of financial assets at FVTPL                                 | —                       | (296)                   |
| Recovery of bad debts previously written off<br>( <i>Note (iii)</i> )           | 2,088                   | —                       |
| Rental income from investment properties  | —                       | 50                      |
| Sundry income   | 151                     | 1,022                   |
|   | <u>9,097</u>            | <u>2,983</u>            |

*Notes:*

- (i) The revenue from contracts with customers within HKFRS 15 for financial consultancy income generated by the Group was recognised over time during the years ended 31 December 2022 and 2021.
- (ii) During the year ended 31 December 2022, the Group had recognised government grants of approximately HK\$150,000 which is the funding support from the Employment Support Scheme (“ESS”) under the Anti-epidemic Funds set up by the Hong Kong Special Administrative Region Government. The purpose of the ESS is to provide financial support to employers to retain employees who may otherwise be made redundant. Under the terms of the grant, the Group was required not to implement redundancies during the subsidy period and to spend all the funding on payment of wages to its employees.
- (iii) The amount represented the recovery of bad debts relating to loans to customers written off in previous years during the year ended 31 December 2022.

## **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 investment in a joint venture, financial instruments and deferred tax assets (“**Specified non-current assets**”):

|           | <b>Revenue from</b>           |                      | <b>Specified</b>          |                      |
|-----------|-------------------------------|----------------------|---------------------------|----------------------|
|           | <b>external customers</b>     |                      | <b>non-current assets</b> |                      |
|           | <b>Year ended 31 December</b> |                      | <b>As at 31 December</b>  |                      |
|           | <b>2022</b>                   | <b>2021</b>          | <b>2022</b>               | <b>2021</b>          |
|           | <i>HK\$’000</i>               | <i>HK\$’000</i>      | <i>HK\$’000</i>           | <i>HK\$’000</i>      |
| Hong Kong | —                             | —                    | <b>1,519</b>              | 860                  |
| The PRC   | <b>46,483</b>                 | 45,376               | <b>10,283</b>             | 13,375               |
|           | <b><u>46,483</u></b>          | <b><u>45,376</u></b> | <b><u>11,802</u></b>      | <b><u>14,235</u></b> |

The customer base in short-term financing services segment is diversified. There is one customer (2021: one) individually contributed a settlement gain from distressed debt assets from loans to customers of approximately HK\$7,963,000 (2021: an interest income from loans to customers of approximately HK\$6,722,000) which represents 10% or more of the Group’s revenue for the year ended 31 December 2022.

## 6. LOSS BEFORE INCOME TAX

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

|  | <i>Note</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| <b>Finance costs</b>                             |             |                                |                         |
| Effective interest expenses on                   |             |                                |                         |
| — convertible bonds                              |             | <b>25,485</b>                  | 39,226                  |
| — promissory notes                               |             | —                              | 109                     |
| — lease liabilities                              |             | <b>193</b>                     | 230                     |
|  |             | <u>25,678</u>                  | <u>39,565</u>           |
| <b>Other items</b>                               |             |                                |                         |
| Staff costs (excluding Directors' emoluments)    |             |                                |                         |
| Salaries, bonuses, allowances and other benefits |             | <b>17,606</b>                  | 15,848                  |
| Pension scheme contributions                     |             | <b>1,757</b>                   | 1,632                   |
|  |             | <u>19,363</u>                  | <u>17,480</u>           |
| Auditor's remuneration                           |             |                                |                         |
| — Audit services                                 |             | <b>793</b>                     | 791                     |
| — Non-audit services                             |             | <b>250</b>                     | 238                     |
| Depreciation of property, plant and equipment    | <i>10</i>   | <b>421</b>                     | 535                     |
| Depreciation of right-of-use assets              |             | <b>1,552</b>                   | 1,754                   |
| Exchange difference, net                         |             | <b>638</b>                     | (640)                   |
| Short-term or low value lease payments           |             | <b>1,577</b>                   | 1,760                   |

## 7. INCOME TAX EXPENSES

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Current income tax</b>                 |                         |                         |
| Hong Kong                                 |                         |                         |
| Current tax charge for the year           | —                       | 87                      |
| The PRC                                   |                         |                         |
| Current tax charge for the year           | 3,980                   | 6,330                   |
| Under-provision in respect of prior years | 171                     | 187                     |
|   | <u>4,151</u>            | <u>6,517</u>            |
| <b>Withholding tax on dividends</b>       | —                       | 1,811                   |
| <b>Deferred tax (credited)/charged</b>    | <u>(1,155)</u>          | <u>7,209</u>            |
| Income tax expenses                       | <u><u>2,996</u></u>     | <u><u>15,624</u></u>    |

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

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

For the year ended 31 December 2022, no provision for Hong Kong Profits Tax has been provided as the Group had no assessable profits arising in Hong Kong.

For the year ended 31 December 2021, the assessable profits on the Company's estimated assessable profits arising from Hong Kong is subject to the two-tiered profits tax regime that the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% and assessable profits above HK\$2 million will be taxed at 16.5% under Hong Kong Profits Tax. The assessable profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.



The subsidiaries of the Group established in the PRC, save for below, are subject to enterprise income tax (“EIT”) of the PRC at 25% (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\*, “Lhasa Jiade”), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the year ended 31 December 2021.

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 2022 and 2021 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 2022 and 2021, the part of taxable income that is not in excess of RMB1 million is reduced to 12.5% of original total taxable income, and the applicable EIT rate is 20%. Additionally, the part of taxable income that is between RMB1 million and RMB3 million is reduced to 25% (2021: 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% (2021: 10%).

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

|  | <b>2022</b>         | 2021            |
|--|---------------------|-----------------|
|  | <i>HK\$’000</i>     | <i>HK\$’000</i> |
| Loss before income tax   | <u>(1,285)</u>      | <u>(8,413)</u>  |
| Tax calculated at the rates applicable to the tax jurisdiction concerned | <b>1,039</b>        | 1,888           |
| Tax effect on income not taxable for tax purpose                         | <b>(5,880)</b>      | (154)           |
| Tax effect on expenses not deductible for tax purpose                    | <b>8,461</b>        | 11,399          |
| Tax concession   | <b>(687)</b>        | (34)            |
| Unrecognised tax losses  | —                   | 2,059           |
| Utilisation of previously unrecognised tax losses                        | <b>(108)</b>        | (1,532)         |
| Under-provision in respect of prior years                                | <b>171</b>          | 187             |
| Withholding tax on dividends   | —                   | 1,811           |
| Income tax expenses for the year   | <u><b>2,996</b></u> | <u>15,624</u>   |

\* English name is for identification purpose only

## 8. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2022 (2021: Nil). The Directors of the Company do not recommend for payment of a final dividend for the year ended 31 December 2022 (2021: 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 2022, as the Company's outstanding convertible bonds had an anti-dilutive (2021: 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 2022 are equal (2021: equal).

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

|   | <b>2022</b>     | 2021            |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>Loss</b>   |                 |                 |
| Loss attributable to owners of the Company,<br>used in the basic and diluted loss per share<br>calculations | <u>(7,626)</u>  | <u>(19,017)</u> |

**Number of shares****2022**                      2021  
**'000**                              **'000**

(Restated)

**Shares**Weighted average number of ordinary shares for basic  
and diluted loss per share calculations*(Notes a and b)***50,797****36,828***Notes:*

- (a) The weighted average number of ordinary shares of 50,796,941 for the year ended 31 December 2022 is derived from 1,011,829,233 in issue as at 1 January 2022, after taking into account the effects of the (i) conversion of New 2022 CB into 150,000,000 new ordinary shares of the Company; and (ii) the Share Consolidation under Capital Reorganisation, as discussed in section headed “Capital Reorganisation”, completed on 23 February 2023, and assuming the Capital Reorganisation had been completed on 1 January 2021.
- (b) The weighted average number of ordinary shares of 36,827,561 (Restated) for the year ended 31 December 2021 is derived from 281,276,411 shares in issue as at 1 January 2021 after taking into account the effects of (i) issue of shares upon rights issue completed on 15 March 2021; (ii) placing of shares under general mandate completed on 20 December 2021; and (iii) the Share Consolidation under Capital Reorganisation completed on 23 February 2023, and assuming the Capital Reorganisation had been completed on 1 January 2021.

## 10. PROPERTY, PLANT AND EQUIPMENT

|  | Leasehold<br>improvements<br><i>HK\$'000</i> | Furniture,<br>fixtures<br>and office<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|--------------------------------------|--------------------------|
| <b>Cost</b>                                  |  |  |                                      |                          |
| As at 1 January 2021                         | 506  | 2,804  | 1,453                                | 4,763                    |
| Additions                                    | —  | 137  | —                                    | 137                      |
| Disposal/Written off                         | —  | (124)  | (237)                                | (361)                    |
| Disposal of a subsidiary                     | —  | (4)  | —                                    | (4)                      |
| Exchange realignments                        | —  | 71   | 44                                   | 115                      |
|  | <hr/>  | <hr/>  | <hr/>                                | <hr/>                    |
| As at 31 December 2021 and<br>1 January 2022 | <b>506</b>                                   | <b>2,884</b>   | <b>1,260</b>                         | <b>4,650</b>             |
| Additions                                    | —  | <b>88</b>  | —                                    | <b>88</b>                |
| Exchange realignments                        | —  | (175)  | (96)                                 | (271)                    |
|  | <hr/>  | <hr/>  | <hr/>                                | <hr/>                    |
| <b>As at 31 December 2022</b>                | <b><u>506</u></b>                            | <b><u>2,797</u></b>  | <b><u>1,164</u></b>                  | <b><u>4,467</u></b>      |
| <b>Accumulated depreciation</b>              |  |  |                                      |                          |
| As at 1 January 2021                         | 506  | 1,588  | 505                                  | 2,599                    |
| Disposal/Written off                         | —  | (112)  | (225)                                | (337)                    |
| Disposal of a subsidiary                     | —  | (4)  | —                                    | (4)                      |
| Charge for the year                          | —  | 297  | 238                                  | 535                      |
| Exchange realignments                        | —  | 37   | 16                                   | 53                       |
|  | <hr/>  | <hr/>  | <hr/>                                | <hr/>                    |
| As at 31 December 2021 and<br>1 January 2022 | <b>506</b>                                   | <b>1,806</b>   | <b>534</b>                           | <b>2,846</b>             |
| Charge for the year                          | —  | <b>236</b>   | <b>185</b>                           | <b>421</b>               |
| Exchange realignments                        | —  | (98)   | (46)                                 | (144)                    |
|  | <hr/>  | <hr/>  | <hr/>                                | <hr/>                    |
| As at 31 December 2022                       | <b><u>506</u></b>                            | <b><u>1,944</u></b>  | <b><u>673</u></b>                    | <b><u>3,123</u></b>      |
| <b>Net carrying amount</b>                   |  |  |                                      |                          |
| <b>As at 31 December 2022</b>                | <b><u>—</u></b>                              | <b><u>853</u></b>  | <b><u>491</u></b>                    | <b><u>1,344</u></b>      |
| As at 31 December 2021                       | <u>—</u>                                     | <u>1,078</u>   | <u>726</u>                           | <u>1,804</u>             |

## 11. INTANGIBLE ASSETS

|   | <b>Pawn<br/>Licences<br/>HK\$'000</b> |
|---|---------------------------------------|
| <b>Cost</b>                               |                                       |
| As at 1 January 2021                      | 158,262                               |
| Exchange realignments                     | <u>5,258</u>                          |
| As at 31 December 2021 and 1 January 2022 | <b>163,520</b>                        |
| Exchange realignments                     | <u>(12,479)</u>                       |
| <b>As at 31 December 2022</b>             | <b><u><u>151,041</u></u></b>          |
| <b>Accumulated impairment losses</b>      |                                       |
| As at 1 January 2021                      | 158,262                               |
| Exchange realignments                     | <u>5,258</u>                          |
| As at 31 December 2021 and 1 January 2022 | <b>163,520</b>                        |
| Exchange realignments                     | <u>(12,479)</u>                       |
| <b>As at 31 December 2022</b>             | <b><u><u>151,041</u></u></b>          |
| <b>Net carrying amount</b>                |                                       |
| <b>As at 31 December 2022</b>             | <b><u><u>—</u></u></b>                |
| As at 31 December 2021                    | <u><u>—</u></u>                       |
| <b>Pawn Licences</b>                      |                                       |

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

The impairment assessment of the Pawn Licences was included in the impairment assessment of the Short-term Financing CGU (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 of the Company concluded that, assessed together with goodwill (Note 12), should be fully impaired.

## 12. GOODWILL

|   | <b>Short-term<br/>Financing<br/>CGU<br/>HK\$'000</b> |
|---|--|
| <b>Cost</b>                               |  |
| As at 1 January 2021                      | 667,400  |
| Exchange realignments                     | <u>22,175</u>  |
| As at 31 December 2021 and 1 January 2022 | <b>689,575</b>                                       |
| Exchange realignments                     | <u>(52,624)</u>                                      |
| <b>As at 31 December 2022</b>             | <b><u><u>636,951</u></u></b>                         |
| <b>Accumulated impairment losses</b>      |  |
| As at 1 January 2021                      | 667,400  |
| Exchange realignments                     | <u>22,175</u>  |
| As at 31 December 2021 and 1 January 2022 | <b>689,575</b>                                       |
| Exchange realignments                     | <u>(52,624)</u>                                      |
| <b>As at 31 December 2022</b>             | <b><u><u>636,951</u></u></b>                         |
| <b>Net carrying amount</b>                |  |
| <b>As at 31 December 2022</b>             | <b><u><u>—</u></u></b>                               |
| As at 31 December 2021                    | <u><u>—</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 of the Company had re-estimated the cash flows that could be generated from the Short-term Financing CGU. Based on the fair value less costs of disposal estimated using the revised cash flow projections and using the income approach, the Directors of the Company concluded that goodwill and Pawn Licenses allocated to the Short-term Financing CGU had been fully impaired.

### 13. LOANS TO CUSTOMERS

|                                     | <b>2022</b>      | 2021            |
|-------------------------------------|------------------|-----------------|
|                                     | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Principal and interest receivables: |                  |                 |
| Pawn loans                          | <b>171,322</b>   | 230,274         |
| Micro-credit loans                  | <b>81,294</b>    | 111,549         |
| Distressed debt assets              | <b>6,003</b>     | 18,085          |
|                                     | <hr/>            | <hr/>           |
| Loans to customers, gross           | <b>258,619</b>   | 359,908         |
| Less:                               |                  |                 |
| Loss allowance                      | <b>(109,964)</b> | (112,656)       |
|                                     | <hr/>            | <hr/>           |
| Loans to customers, net             | <b>148,655</b>   | 247,252         |
|                                     | <hr/> <hr/>      | <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 2022 and 2021 under the requirements of HKFRS 9:

|                                     | <b>2022</b>     | 2021            |
|-------------------------------------|-----------------|-----------------|
|                                     | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Neither overdue nor credit-impaired | <b>96,920</b>   | 187,283         |
| Overdue but not credit-impaired     |                 |                 |
| — overdue within 30 days            | <b>18,076</b>   | 4,666           |
| — overdue 30 to 90 days             | <b>13,262</b>   | 30,250          |
| Overdue and credit-impaired         |                 |                 |
| — overdue more than 90 days         | <b>130,361</b>  | 137,709         |
|                                     | <b>258,619</b>  | 359,908         |



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2022, 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 2022 of approximately HK\$46,483,000 (2021: approximately HK\$45,376,000), representing a slight increase of approximately HK\$1,107,000 as compared with the previous year. This increase was mainly attributable to the combination of two factors. Firstly, the Group experienced an increase of approximately HK\$9,278,000 in settlement gain from distressed debts assets from short term financing services, which was a result of the recovery of principal and interest expenses receivables from several distressed debts assets during the year. Secondly, there was a decrease of approximately HK\$7,631,000 in interest income from short-term financing services during the year ended 31 December 2022. This decrease was mainly due to the impact of the unfavourable macroeconomic environment in the PRC and the repeated outbreaks of COVID-19 pandemic in 2022.

The administrative and other expenses for the year ended 31 December 2022 has marginally decreased from approximately HK\$38,479,000 in the year 2021 to approximately HK\$35,767,000.

Other income and other gains and losses, net for the year ended 31 December 2022 was approximately HK\$9,097,000 (2021: approximately HK\$2,983,000), which represents an significant increase of approximately HK\$6,114,000 when compared to the year 2021, mainly attributable to the increase in the gain on early redemption of convertible bonds by approximately HK\$5,064,000 for the year ended 31 December 2022.

A fair value loss on financial assets at FVTPL of approximately HK\$8,562,000 was recorded for the year ended 31 December 2022 due to an unrealized loss recognized from the listed equity investment while a fair value gain on financial assets at FVTPL of approximately HK\$5,670,000 was recorded for the year ended 31 December 2021.

A one-off write-off of financial assets at FVTPL of approximately HK\$4,763,000 was recorded for the year ended 31 December 2021, whereas no such write-off was recorded for the year ended 31 December 2022.

The Group recorded charge of loss allowance for ECLs on loans to customers for the year ended 31 December 2022 of approximately HK\$6,081,000 while reversal of loss allowance for ECLs on loans to customers of approximately HK\$25,642,000 was recorded in the year 2021. The increase in loss allowance for ECLs was primarily due to the repeated outbreaks of the COVID-19 pandemic in 2022 and the deceleration of domestic economic growth in the PRC. These unfavorable market conditions had an adverse impact on the financial condition of customers of the Group, resulting in a deterioration of customers' aging. Simultaneously, the unfavorable market conditions caused a decline in the expected recoverable value of collaterals and guarantees, which was a direct result of the increase in

costs and efforts required for their realization due to the challenging economic environment in the PRC.

The Group recorded a share of loss of a joint venture of approximately HK\$5,425,000 from its investment in a joint venture, 宣威瑞草生物科技有限公司 (Xuan Wei Rui Cao Biological Technology Company Limited\*) (“**Xuan Wei**”) for the year ended 31 December 2022 (2021: approximately HK\$549,000).

Xuan Wei was established in 23 June 2020 and was principally engaged in the plant extract production, bio-organic fertilizer and biopesticide research and development in the PRC. The related output products include tobacco plant extracts, bio-organic fertilizer, biopesticide, biological insecticide, etc. The tobacco plant extracts are one of the main raw materials of the production of nicotine for electronic cigarettes. It was expected that the acquisition of Xuan Wei could help to generate a new source of revenue and diversify the income stream of the Group. Amid the tough business environment in the PRC under the prolong impact of the outbreak of COVID-19 pandemic, Xuan Wei was still able to expand its business scale and increase its revenue during the year ended 31 December 2022 as compared to that for the year ended 31 December 2021, driven by the increase of the demand in electronic cigarettes.

However, the business of Xuan Wei was adversely affected by the Measures for the Administration of Electronic Cigarettes which was newly implemented by the China’s State Tobacco Monopoly Administration (the “**STMA**”) in May 2022 (the “**New Measures**”). The New Measures aimed to strengthen the regulation of the electronic cigarettes industry in the PRC and imposed certain new requirements and conditions on the manufacturing of nicotine for electronic cigarettes. Moreover, under the New Measures, all the manufacturers of nicotine for electronic cigarettes are required to obtain tobacco monopoly production enterprise licenses issued by the STMA in order to continue the production and operation of nicotine for electronic cigarettes. In response to the New Measures, Xuan Wei had to cease its current production, upgrade its machinery and equipment as well as enhance the production process in order to cope with the impact from the New Measures. As at 31 December 2022, Xuan Wei has yet to obtain the tobacco monopoly production enterprise license. In view of (i) the information currently available, the management of Xuan Wei is unable to anticipate as to when Xuan Wei will obtain the tobacco monopoly production enterprise license from the STMA; (ii) the current machinery and production lines are difficult to transform for other production purpose and there is limited second-hand market for them to be sold or repurposed; (iii) the latest financial position of Xuan Wei and the existing financial resources available to Xuan Wei; and (iv) the business environment and the financial position of Xuan Wei have been adversely impacted and become significantly uncertain as a result of the implementation of the New Measures, for prudence purpose, the management of Xuan Wei makes the provision for impairment on certain assets of Xuan Wei. Considering the significant changes at Xuan Wei, the management of the Group will closely monitor the future development of Xuan Wei.

\* *English name is for identification purpose only*

On 21 July 2022, the Company issued the New 2022 Convertible Bonds and the New 2023 Convertible Bonds (as defined below) to settle the outstanding principal amounts of 2022 CB and 2023 CB, respectively. The setting off resulted in a one-off gain on extinguishment of bond payables and liability component of convertible bonds in the amount of approximately HK\$26,944,000 recorded for the year ended 31 December 2022 whereas no such gain was recognised for the year ended 31 December 2021.

The loss attributable to the owners of the Company for the year ended 31 December 2022 was approximately HK\$7,626,000 (2021: approximately HK\$19,017,000). The decrease in loss attributable to the owners of the Company was mainly attributable to the net-off effect of (i) an increase in other income and other gains and losses, net by approximately HK\$6,114,000 for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021; (ii) a charge of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts) of approximately HK\$4,926,000 was recorded for the year ended 31 December 2022 while a reversal of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts) of approximately HK\$18,433,000 was recorded for the year ended 31 December 2021 primarily due to the repeated outbreaks of the COVID-19 pandemic in 2022 and the deceleration of domestic economic growth in the PRC. These unfavorable market conditions had an adverse impact on the financial condition of customers of the Group, resulting in a deterioration of customers' aging. Simultaneously, the unfavorable market conditions caused a decline in the expected recoverable value of collaterals and guarantees, which was a direct result of the increase in costs and efforts required for their realization due to the challenging economic environment in the PRC; (iii) a fair value loss on financial assets at FVTPL of approximately HK\$8,562,000 was recorded for the year ended 31 December 2022 due to an unrealized loss recognized from the listed equity investment while a fair value gain on financial assets at FVTPL of approximately HK\$5,670,000 was recorded for the year ended 31 December 2021; (iv) a one-off gain on extinguishment of bond payables and liability component of convertible bonds in the amount of approximately HK\$26,944,000 recorded for the year ended 31 December 2022 whereas no such gain was recognised for the year ended 31 December 2021; and (v) a decrease in finance costs for the year ended 31 December 2022 by approximately HK\$13,887,000 as compared to that for the year ended 31 December 2021 as a result of partial redemptions of convertible bonds made by the Group during the years ended 31 December 2021 and 2022.

## **Short-term financing services**

During the year ended 31 December 2022, the financial results of short-term financing services were substantially contributed by loan businesses and distressed debts assets business of the Group, in which the revenue of these businesses was approximately HK\$46,292,000 (2021: approximately HK\$44,645,000). The operating results of short-term financing services recorded a profit before income tax of approximately HK\$24,298,000 (2021: approximately HK\$43,792,000). The deterioration of the operating results was mainly attributable to the combined effect of (i) increase in revenue by approximately HK\$1,107,000; and (ii) net increase in charge of loss allowance for ECLs on loans to customers by approximately HK\$31,723,000.

## **PROSPECTS**

Looking ahead, it is expected that the global economic environment remains challenging and uncertain due to persistent inflation and ongoing geopolitical tensions. It is also expected that the domestic economy in China will continue to face challenges related to political tensions between China and the U.S. Nevertheless, the economic environment in Mainland China has shown signs of improvement following the nationwide loosening the restriction of COVID-19 control measures and the reopening of all borders in early January 2023. We anticipate that this will have a positive impact on our business for the coming year.

In light of these developments, we remain committed to maintaining our competitiveness in the market and pursuing opportunities for long-term business and profitability growth. We understand that any unforeseen changes could potentially undermine any single and inflexible business line's prospects. Therefore, we will continue to adopt quick and flexible marketing strategies to stay ahead of the competition in our short-term financing business and explore new business opportunities to broaden and diversify our income streams. To optimize the utilization of resources and improve the overall financial performance of the Group, we will continue to explore and seize business opportunities to broaden and diversify our income stream while also streamlining operations and reducing costs where possible.

As always, we remain vigilant and adaptable in the face of ongoing economic and geopolitical challenges. By staying true to our core values and mission as a company and remaining focused on our long-term goals, we are confident that we can position our business for success in the years to come.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had other debts which is liability component of convertible bonds of approximately HK\$174,987,000 (2021: 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 31 December 2022, the Group had cash and cash equivalents of approximately HK\$105,158,000 (2021: approximately HK\$95,905,000) 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 2022, the gearing ratio for the Group was approximately 2.9 (2021: approximately 3.7), calculated based on the total debts of approximately HK\$174,987,000 (2021: approximately HK\$281,198,000) over shareholder's equity of approximately HK\$60,250,000 (2021: approximately HK\$75,002,000). The debt ratio was approximately 0.66 (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 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 2022 is summarised as follows:

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

There were no bank borrowings outstanding as at 31 December 2022 (2021: Nil).

### (ii) **Promissory Notes**

As at 31 December 2022 and 2021, the Company had no outstanding promissory note.

### (iii) Convertible Bonds

As at 31 December 2022, the Company had 2 series of non-interest bearing convertible bonds issued as part of the consideration of the acquisition of Prima Finance (which was struck off on 31 March 2021) and Sunny Bridge and its subsidiaries outstanding. 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 (HK\$) | Amount issued during the year (HK\$) | Amount converted into shares during the year (HK\$) | Amount redeemed during the year (HK\$) | Amount matured during the year (HK\$) | Amount settled during the year (HK\$) | Outstanding                                    | Number of   |
|-----------------|--|------------------|-----------------------------------|--------------------------------------|---|--|---------------------------------------|---------------------------------------|--|---|
|                 |  |                  |                                   |                                      |   |  |                                       |                                       | principal amount as at 31 December 2022 (HK\$) | shares to be issued upon full conversion as at 31 December 2022 |
| 25 June 2014    | 99,840,000                                   | 24 June 2022     | 1.75                              | —                                    | —   | —                                      | (99,840,000)                          | —                                     | —  | —   |
| 6 February 2015 | 194,000,000                                  | 5 February 2023  | 1.75                              | —                                    | —   | (8,600,000)                            | —                                     | (185,400,000)                         | —  | —   |
| 21 July 2022    | —  | 24 December 2023 | 0.05                              | 99,840,000                           | (7,500,000)   | (39,006,000)                           | —                                     | —                                     | 53,334,000                                     | 1,066,680,000   |
| 21 July 2022    | —  | 5 August 2024    | 0.05                              | 185,400,000                          | —   | (46,165,000)                           | —                                     | —                                     | 139,235,000                                    | 2,784,700,000   |

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

The Company entered into the conditional subscription agreements with 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 “**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 were matured in June 2022 and February 2023 (the “**Existing CBs**”) respectively and it was 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 was 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 had 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 was 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 Issue of Convertible Bonds bore similar salient features as the Existing CBs such as conversion restriction and essentially was an extension of the Existing CBs, except that the conversion price was 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 would be issued. The aggregate subscription amounts of HK\$99,840,000 for the New 2022 Convertible Bonds was 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 fell 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 would be issued. The aggregate subscription amounts of HK\$185,400,000 for the New 2023 Convertible Bonds were 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 fell 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 “**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 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 Increase in Authorised Share Capital and Issue of Convertible Bonds were approved by the independent shareholders at the SGM held on 28 June 2022. Accordingly, the Increase in Authorised Share Capital became 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 had 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.

As a result of the capital reorganisation, the conversion price of the New 2022 Convertible Bonds and the New 2023 Convertible Bonds has been adjusted from HK\$0.05 to HK\$1.0 accordingly. For details, please refer to the circular dated 20 January 2023 and the announcements of the Company dated 19 December 2022 and 21 February 2023.



## 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\$25,213,000. Up to 31 December 2022, the Group has utilised the net proceeds as follows:

|  | <b>Intended<br/>use of net<br/>proceeds<br/><i>HK\$'000</i></b> | <b>Actual<br/>use of net<br/>proceeds up to<br/>31 December<br/>2022<br/><i>HK\$'000</i></b> | <b>Unutilised<br/>net proceeds<br/>up to<br/>31 December<br/>2022<br/><i>HK\$'000</i></b> |
|--|---|--|---|
| Settlement of outstanding short-term liabilities of<br>the Company | 25,000  | 25,000   | —   |
| General working capital  | 213   | 213  | —   |
|  | <u>25,213</u>   | <u>25,213</u>  | <u>—</u>  |

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2022, the Group did not process any other significant investment, acquisition or disposal of subsidiaries or associated companies.

## FURTHER PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## CHARGE OF GROUP ASSETS

As at 31 December 2022, the Group did not have any assets under charge (2021: 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 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.

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 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 31 December 2022, 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 2022, the Group did not have any material contingent liability (2021: Nil).

## **EMPLOYEE INFORMATION AND REMUNERATION POLICY**

As at 31 December 2022, the Group employed a total of 49 employees (2021: 66 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 2022 amounted to approximately HK\$19,363,000 (2021: approximately HK\$17,480,000).

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 2022. The share option scheme of the Company has expired on 2 August 2022 and the Company would consider to adopt a new share option scheme to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

## **CAPITAL REORGANISATION**

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

- (i) the share consolidation whereby every twenty (20) existing Shares will be consolidated into one (1) consolidated Share;
- (ii) the capital reduction whereby the issued share capital of the Company will be reduced by cancelling paid up capital of the Company to the extent of HK\$0.99 on each of the then consolidated Shares such that the par value of each issued consolidated Share will be reduced from HK\$1.0 to HK\$0.01;
- (iii) the sub-division whereby of each authorized but unissued consolidated Share of HK\$1.0 (including the unissued Shares arising from the capital reduction) will be sub-divided into 100 new Shares of HK\$0.01 each; and
- (iv) the transfer of all the credits arising from the capital reduction to the contributed surplus account of the Company.

The closing prices of the existing Shares have been trading at below the par value of HK\$0.05 per existing Share for a certain period and according to the Bermuda law, the Company may not issue Shares at a discount to their par value and potential investors in general would be unwilling to subscribe for Shares and pay a premium over the market prices for the Shares. As such, the capital reorganisation, which will reduce the par value per Share, would provide greater flexibility for the Company to carry out fund raising exercises in the future.

Furthermore, the credit in the contributed surplus account arising from the capital reorganisation is applicable to set off its accumulated losses. Save that no fractional new Shares (with par value of HK\$0.01 each) will be allocated to Shareholders and the relevant expenses (including but not limited to professional fees and printing charges) to be incurred in relation to the capital reorganisation, there will not have material effect on the Group's consolidated net asset value, and it will not alter the underlying assets, business operations, management or financial position of the Company nor the proportionate interests or rights of the Shareholders.

Based on the reasons above, the Board considers that the capital reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The capital reorganisation was passed and approved as the special resolution by the Shareholders at a special general meeting held on 21 February 2023. Accordingly, the capital reorganisation has become effective from 23 February 2023. As a result, the Company has 63,091,461 consolidated Shares in issue and the authorised share capital of the Company remains at HK\$1,000,000,000, which is divided into 100,000,000,000 ordinary shares. Also, pursuant to the terms of the instrument of the outstanding New 2022 Convertible Bonds, and New 2023 Convertible Bonds, the conversion prices of the convertible bonds and the number of new Shares to be issued upon exercise of the conversion rights attached to the outstanding convertible bonds has been adjusted in the following manner with effect from 23 February 2023.

|                            | <u>Immediately before the Capital Reorganisation becoming effective</u>   |  | <u>Immediately after the Capital Reorganisation becoming effective</u>   |  |
|----------------------------|---|--|--|--|
|                            | <b>Number of Existing Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds</b> | <b>Existing conversion price per Share</b> | <b>Number of New Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds</b> | <b>Adjusted conversion price per New Share</b> |
| New 2022 Convertible Bonds | 966,680,000   | HK\$0.05                                   | 48,334,000   | HK\$1.0  |
| New 2023 Convertible Bonds | 2,784,700,000   | HK\$0.05                                   | 139,235,000  | HK\$1.0  |

For details, please refer to the announcements of the Company dated 19 December 2022 and 21 February 2023, and the circular of the Company dated 20 January 2023.

## **EVENT AFTER REPORTING PERIOD**

### **Conversion of Convertible Bonds**

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

## **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 2022.

## **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.

On 1 January 2022, the amendments to the Corporate Governance Code came into effect and the requirements under the New CG code has applied to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest developments of the CG Code.

Throughout the year ended 31 December 2022, the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code (the “**CG Code**”) of the GEM Listing Rules with the exception of the following deviations:

### **CODE PROVISION C.2.1**

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei was appointed as the Chairman and the CEO 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 CEO 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 2022.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2022, 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 2022 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 2022.

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

Hong Kong, 21 March 2023

*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>.*