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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 2024

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 2024 together with comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	5	<u>18,863</u>	<u>36,233</u>
Other income and other gains and losses, net	5	5,177	10,017
Administrative and other expenses		(23,172)	(29,302)
Charge of loss allowance for expected credit loss (“ECL”) on loans to customers		(5,257)	(2,607)
Fair value losses on investment properties		(152)	(277)
Fair value losses on financial assets at fair value through profit or loss (“FVTPL”)		–	(190)
Cumulative exchange loss previously recognised in other comprehensive income arising from the deregistration of a subsidiary		(4,064)	–
Finance costs	6	<u>(8,148)</u>	<u>(15,491)</u>
Loss before income tax	6	(16,753)	(1,617)
Income tax expenses	7	<u>(3,033)</u>	<u>(7,579)</u>
Loss for the year		<u>(19,786)</u>	<u>(9,196)</u>
Loss for the year attributable to:			
Owners of the Company		(16,905)	(8,819)
Non-controlling interests		<u>(2,881)</u>	<u>(377)</u>
		<u>(19,786)</u>	<u>(9,196)</u>
Loss per share attributable to owners of the Company			
Basic (<i>Hong Kong cents</i>)	9	(18.63)	(12.18)
Diluted (<i>Hong Kong cents</i>)	9	<u>(20.06)</u>	<u>(12.18)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year	<u>(19,786)</u>	<u>(9,196)</u>
Other comprehensive (expense)/income for the year		
<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	4	4
– Exchange differences on translation of financial statements of foreign operations	(5,249)	(7,310)
<i>Item that has been reclassified to profit or loss:</i>		
– Reclassification on exchange reserve upon deregistration of a subsidiary	<u>4,064</u>	<u>–</u>
Other comprehensive expense for the year, net of tax	<u>(1,181)</u>	<u>(7,306)</u>
Total comprehensive expense for the year	<u>(20,967)</u>	<u>(16,502)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(16,871)	(15,030)
Non-controlling interests	<u>(4,096)</u>	<u>(1,472)</u>
	<u>(20,967)</u>	<u>(16,502)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	<i>10</i>	919	923
Right-of-use assets		2,276	3,260
Investment properties		2,043	2,269
Intangible assets		–	–
Goodwill		–	–
Repossessed assets		1,575	942
Investment in a joint venture		–	–
Deferred tax assets		26,656	27,909
Loans to customers	<i>11</i>	4,423	–
		37,892	35,303
Current assets			
Financial assets at FVTPL		–	–
Loans to customers	<i>11</i>	44,361	89,833
Prepayments, deposits and other receivables		1,149	934
Cash and cash equivalents		72,243	93,183
		117,753	183,950
Current liabilities			
Accrued expenses, other payables and deposits received		6,059	9,562
Tax payables		143	2,082
Amount due to directors		995	925
Promissory notes		66,913	13,660
Convertible bonds – liability component		–	100,136
Lease liabilities		556	1,205
		74,666	127,570
Net current assets		43,087	56,380
Total assets less current liabilities		80,979	91,683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current liabilities		
Promissory notes	6,891	–
Lease liabilities	<u>1,940</u>	<u>2,171</u>
	<u>8,831</u>	<u>2,171</u>
Net assets	<u><u>72,148</u></u>	<u><u>89,512</u></u>
Capital and reserves		
Issued capital	938	782
Reserves	<u>38,579</u>	<u>50,354</u>
Equity attributable to owners of the Company	39,517	51,136
Non-controlling interests	<u>32,631</u>	<u>38,376</u>
Total equity	<u><u>72,148</u></u>	<u><u>89,512</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2023	58,091	686,772	131,109	304,635	(69,423)	22,093	22,931	(1,095,958)	60,250	41,065	101,315
Loss for the year	-	-	-	-	-	-	-	(8,819)	(8,819)	(377)	(9,196)
Other comprehensive (expense)/income											
<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	-	-	-	-	4	-	-	-	4	-	4
– financial statements of foreign operations	-	-	-	-	(6,215)	-	-	-	(6,215)	(1,095)	(7,310)
Other comprehensive expense for the year	-	-	-	-	(6,211)	-	-	-	(6,211)	(1,095)	(7,306)
Total comprehensive expense for the year	-	-	-	-	(6,211)	-	-	(8,819)	(15,030)	(1,472)	(16,502)
Transfer to statutory reserve	-	-	-	-	-	-	1,844	(1,844)	-	-	-
Transactions with owners											
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,217)	(1,217)
Issue of new shares upon placing	101	4,018	-	-	-	-	-	-	4,119	-	4,119
Capital reduction upon Capital Reorganisation (As defined in Interim Report 2024)	(62,460)	-	62,460	-	-	-	-	-	-	-	-
Transferred to accumulated losses upon maturity of New 2022 CB (As defined in Interim Report 2024)	-	-	-	-	-	(1,776)	-	1,776	-	-	-
Redemption of New 2022 CB and New 2023 CB (As defined in Interim Report 2024) by cash	-	-	-	-	-	(8,182)	-	313	(7,869)	-	(7,869)
Conversion of New 2022 CB	5,050	5,982	-	-	-	(1,366)	-	-	9,666	-	9,666
Transactions with owners	(57,309)	10,000	62,460	-	-	(11,324)	-	2,089	5,916	(1,217)	4,699
As at 31 December 2023	782	696,772	193,569	304,635	(75,634)	10,769	24,775	(1,104,532)	51,136	38,376	89,512

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2024

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	Statutory reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2024	782	696,772	193,569	304,635	(75,634)	10,769	24,775	(1,104,532)	51,136	38,376	89,512
Loss for the year	-	-	-	-	-	-	-	(16,905)	(16,905)	(2,881)	(19,786)
Other comprehensive (expense)/income											
<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	-	-	-	-	4	-	-	-	4	-	4
– financial statements of foreign operations	-	-	-	-	(4,034)	-	-	-	(4,034)	(1,215)	(5,249)
<i>Item that has been reclassified to profit or loss:</i>											
Reclassification on exchange reserve upon deregistration of a subsidiary	-	-	-	-	4,064	-	-	-	4,064	-	4,064
Other comprehensive income/(expense) for the year	-	-	-	-	34	-	-	-	34	(1,215)	(1,181)
Total comprehensive income/(expense) for the year	-	-	-	-	34	-	-	(16,905)	(16,871)	(4,096)	(20,967)
Transfer to statutory reserve	-	-	-	-	-	-	370	(370)	-	-	-
Transfer upon deregistration of a subsidiary	-	-	-	-	-	-	(6,501)	6,501	-	-	-
Transactions with owners											
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,649)	(1,649)
Issue of new shares upon placing	156	7,355	-	-	-	-	-	-	7,511	-	7,511
Transferred to accumulated losses upon maturity of New 2023 CB	-	-	-	-	-	(8,510)	-	8,510	-	-	-
Redemption of New 2023 CB by cash	-	-	-	-	-	(2,259)	-	-	(2,259)	-	(2,259)
Transactions with owners	156	7,355	-	-	-	(10,769)	-	8,510	5,252	(1,649)	3,603
As at 31 December 2024	938	704,127	193,569	304,635	(75,600)	-	18,644	(1,106,796)	39,517	32,631	72,148

1. CORPORATE INFORMATION

The Company was previously incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on GEM of the Exchange. The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business has been changed from Unit 2613A, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong to Suite No. 2, 15/F, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong with effective on 22 November 2024.

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 HKFRS Accounting Standards, which collective term includes all applicable HKFRS Accounting Standards, 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 2023 consolidated financial statements, except for the adoption of the new/revised HKFRS Accounting Standards that are effective from the current year as set out in Note 3.

3. ADOPTION OF NEW/REVISED HKFRS ACCOUNTING STANDARDS AND FUTURE CHANGES IN HKFRS ACCOUNTING STANDARDS

Adoption of new/revised HKFRS Accounting Standards

The Group has applied, for the first time, the following new/revised HKFRS Accounting Standards:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

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

Amendments to HK Interpretation 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

This Interpretation is revised as a consequence of the above Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

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

Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

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

Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback

The amendments require a seller-lessee to subsequently determine lease payments arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

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

Future Changes in HKFRS Accounting Standards

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

Amendments to HKAS 21	Lack of Exchangeability ⁽¹⁾
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ⁽²⁾
Annual Improvements to HKFRS Accounting Standards	Volume 11 ⁽²⁾
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ⁽²⁾
HKFRS 18	Presentation and Disclosure in Financial Statements ⁽³⁾
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁽³⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2025

⁽²⁾ Effective for annual periods beginning on or after 1 January 2026

⁽³⁾ Effective for annual periods beginning on or after 1 January 2027

⁽⁴⁾ 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 the new/revised HKFRS Accounting Standards, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

4. 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 following table provides an analysis of the Group’s revenue from external customers and non-current assets other than investment in a joint venture and deferred tax assets (“Specified non-current assets”):

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December		As at 31 December	
	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Hong Kong	9,842	–	842	743
The PRC	9,021	36,233	5,971	6,651
	<u>18,863</u>	<u>36,233</u>	<u>6,813</u>	<u>7,394</u>

Revenue from customers individually contributed over 10% of the Group’s revenue are as follows:

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Customer A	–	5,853
Customer B	–	4,734
Customer C	–	4,312
Customer D	8,900	–
	<u>8,900</u>	<u>14,899</u>

5. 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue		
Revenue from other sources		
Interest income from loans to customers	9,163	36,233
Settlement gain from distressed debt assets classified in loans to customers	<u>8,900</u>	<u>–</u>
	18,063	36,233
Revenue from contracts with customers within HKFRS 15		
Financial consultancy income	<u>800</u>	<u>–</u>
Short-term financing services income	<u>18,863</u>	<u>36,233</u>
Other income and other gains and losses, net		
Bank interest income	1,143	778
Gain on early redemption of convertible bonds	3,099	9,184
Gain on early redemption of promissory notes	91	–
Gain on settlement of matured promissory notes by issuance of new promissory notes	60	–
Gain on early termination of a lease	30	190
Gain on disposal of loans to customers	88	–
Gain on settlement of the New 2023 CB and New 2022 CB by issuance of promissory notes	992	11
(Loss)/Gain on disposal of property, plant and equipment	(5)	27
Loss on disposal of an investment property	–	(339)
Exchange differences, net	(343)	(204)
Sundry income	<u>22</u>	<u>370</u>
	<u>5,177</u>	<u>10,017</u>

6. LOSS BEFORE INCOME TAX

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Finance costs		
Effective interest expenses on		
– convertible bonds	5,130	15,320
– promissory notes	2,919	21
– lease liabilities	99	150
	<u>8,148</u>	<u>15,491</u>
Other items		
Staff costs (excluding directors' emoluments)		
Salaries, bonuses, allowances and other benefits	12,766	13,066
Pension scheme contributions	877	1,110
	<u>13,643</u>	<u>14,176</u>
Auditors' remuneration		
– Audit services	850	715
– Non-audit services	130	415
Depreciation of property, plant and equipment	246	293
Depreciation of right-of-use assets	1,036	1,384
Exchange differences, net	343	204
Short-term or low value lease payments	181	869
	<u>181</u>	<u>869</u>

7. INCOME TAX EXPENSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax		
The PRC		
Current tax charge for the year	1,240	6,396
(Over)/Under-provision in respect of prior years	<u>(119)</u>	<u>617</u>
	<u>1,121</u>	<u>7,013</u>
Withholding tax on dividends	1,629	1,650
Deferred tax charged/(credited)	<u>283</u>	<u>(1,084)</u>
Income tax expenses	<u><u>3,033</u></u>	<u><u>7,579</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 (“BVI”), the Group is not subject to any income tax under these jurisdictions.

No provision for Hong Kong Profits tax was made for the year ended 31 December 2024 as the Group had estimated tax losses brought forward to offset against the estimated assessable profits. No provision for Hong Kong Profits tax has been made as the Group did not have any assessable profits for the year ended 31 December 2023.

For the years ended 31 December 2024 and 2023, 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% for the years ended 31 December 2024 and 2023.

According to the current effective preferential income tax policies for micro and small enterprises issued by Ministry of Finance and the State Administration of Taxation, the taxable income in the years ended 31 December 2024 and 2023 of certain subsidiaries of the Group established in the PRC were less than Renminbi (“RMB”) 3 million, which satisfies the provisions of the above income tax policies. During the years ended 31 December 2024 and 2023, the part of taxable income that is not in excess of RMB1 million is reduced to 25% of original total taxable income, and the applicable EIT rate is 20%. Additionally, the part of taxable income that is between RMB1 million and RMB3 million is reduced to 25% 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% (2023: 10%).

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before income tax	<u>(16,753)</u>	<u>(1,617)</u>
Tax calculated at the rates applicable to the tax jurisdiction concerned	(3,469)	1,233
Tax effect on income not taxable for tax purpose	(884)	(1,235)
Tax effect on expenses not deductible for tax purpose	4,451	2,748
Tax concession	–	(14)
Unrecognised tax losses	1,919	2,580
Utilisation of previously unrecognised tax losses	(494)	–
(Over)/Under-provision in respect of prior years	(119)	617
Withholding tax on dividends	<u>1,629</u>	<u>1,650</u>
Income tax expenses for the year	<u>3,033</u>	<u>7,579</u>

8. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2024 (2023: Nil). The Directors of the Company do not recommend for payment of a final dividend for the year ended 31 December 2024 (2023: 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.

During the year ended 31 December 2024, the diluted loss per share would be increased if certain Company's outstanding convertible bonds were taken into account, as those convertible bonds had a diluted effect to the basic loss per share, and hence the potential dilutive shares is assumed in the computation of diluted loss per share. During the year ended 31 December 2023, as the Company's convertible bonds had an 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 2023 are equal.

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

	2024 HK\$'000	2023 HK\$'000
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculations	(16,905)	(8,819)
Adjustment of loss attributable to the owners of the Company:		
Interest expenses on convertible bonds	640	—*
Gain on early redemption of convertible bonds	(2,124)	—*
	<u>(18,389)</u>	<u>(8,819)</u>
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	(18,389)	(8,819)
	Number of shares	
	2024	2023
	'000	'000
Shares		
Weighted average number of ordinary shares for basic loss per share calculations (<i>Notes a and b</i>)	90,722	72,432
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	944	—*
Weighted average number of ordinary shares for diluted loss per share calculation	91,666	72,432

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

Notes:

- (a) The weighted average number of ordinary shares of 90,722,077 for the year ended 31 December 2024 is derived from 78,201,461 in issue as at 1 January 2024, after taking into account the effects of the placing of shares under general mandate completed on 14 March 2024.
- (b) The weighted average number of ordinary shares of 72,432,338 for the year ended 31 December 2023 is derived from 1,161,829,233 in issue as at 1 January 2023, after taking into account the effects of the (i) conversion of New 2022 CB into 100,000,000 new ordinary shares of the Company on 31 January 2023; (ii) the Share Consolidation under Capital Reorganisation completed on 23 February 2023; (iii) conversion of New 2022 CB into 5,000,000 new ordinary shares of the Company on 13 April 2023; and (iv) placing of shares under general mandate completed on 24 May 2023.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
As at 1 January 2023	506	2,797	1,164	4,467
Additions	–	152	–	152
Disposal/Written off	–	(1,839)	(372)	(2,211)
Exchange realignments	–	(49)	(30)	(79)
As at 31 December 2023 and 1 January 2024	506	1,061	762	2,329
Additions	259	15	–	274
Disposal/Written off	(506)	(232)	–	(738)
Exchange realignments	–	(12)	(26)	(38)
As at 31 December 2024	<u>259</u>	<u>832</u>	<u>736</u>	<u>1,827</u>
Accumulated depreciation				
As at 1 January 2023	506	1,944	673	3,123
Charge for the year	–	140	153	293
Disposal/Written off	–	(1,634)	(331)	(1,965)
Exchange realignments	–	(28)	(17)	(45)
As at 31 December 2023 and 1 January 2024	506	422	478	1,406
Charge for the year	8	105	133	246
Disposal/Written off	(506)	(226)	–	(732)
Exchange realignments	–	6	(18)	(12)
As at 31 December 2024	<u>8</u>	<u>307</u>	<u>593</u>	<u>908</u>
Net carrying amount				
As at 31 December 2024	<u>251</u>	<u>525</u>	<u>143</u>	<u>919</u>
As at 31 December 2023	–	639	284	923

11. LOANS TO CUSTOMERS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Principal and interest receivables:		
Pawn loans	77,093	108,306
Micro-credit loans	64,012	85,292
Distressed debt assets	5,643	5,841
Personal loans	7,142	–
	<u>153,890</u>	<u>199,439</u>
<i>Less:</i>		
Loss allowance	<u>(105,106)</u>	<u>(109,606)</u>
Loans to customers, net	<u><u>48,784</u></u>	<u><u>89,833</u></u>
Analysed as:		
Non-current	4,423	–
Current	<u>44,361</u>	<u>89,833</u>
	<u><u>48,784</u></u>	<u><u>89,833</u></u>

Loss allowance on loans to customers which are short term in duration (i.e. loan term of less than one year) are always measured at an amount equal to lifetime ECL.

The following is a credit quality analysis of loans to customers before loss allowance for ECL as at 31 December 2024 and 2023 under the requirements of HKFRS 9:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Neither overdue nor credit-impaired	36,220	82,603
Overdue but not credit-impaired		
– overdue within 30 days	–	2,713
– overdue 30 to 90 days	4,753	7,688
Overdue and credit-impaired		
– overdue more than 90 days	<u>112,917</u>	<u>106,435</u>
	<u><u>153,890</u></u>	<u><u>199,439</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2024, 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 2024 of approximately HK\$18,863,000 (2023: approximately HK\$36,233,000), representing a decrease of approximately HK\$17,370,000 as compared with the previous year. The decrease was mainly attributable to the combination of two main factors. Firstly, there was a decrease of approximately HK\$27,212,000 in interest income from short-term financing services business in the PRC, driven by an unfavorable economic environment, a challenging industry landscape, and complex market competition in the region. Secondly, the Group recorded a settlement gain from distressed debt assets classified in loans to customers of approximately HK\$8,900,000 within the short-term financing services sector in the Hong Kong market. This initiative is part of the Group's strategy to develop its short-term financing services business in Hong Kong starting in the second half of 2024, aimed at enhancing revenue streams and mitigating the impact of performance in the PRC market.

Other income and other gains and losses, net for the year ended 31 December 2024 amounted to approximately HK\$5,177,000 (2023: approximately HK\$10,017,000). This represents a decrease of approximately HK\$4,840,000 compared to the previous year, primarily due to a reduction of approximately HK\$6,085,000 in the gain on early redemption of convertible bonds for the year ended 31 December 2024.

The administrative and other expenses for the year ended 31 December 2024 decreased from approximately HK\$29,302,000 for the year ended 31 December 2023 to approximately HK\$23,172,000. This decline is attributable to the effective implementation of cost control measures by the Group during the year.

The Group recorded a charge of loss allowance for ECL on loans to customers for the year ended 31 December 2024 of approximately HK\$5,257,000 (2023: approximately HK\$2,607,000), representing an increase of approximately HK\$2,650,000 as compared with last year. The increase in charge of loss allowance for ECL was mainly due to several challenging factors within the PRC short-term financing services market, including an unfavorable economic environment, a challenging industry landscape and intense market competition. These conditions have led to a deterioration of the customers' ageing and a decline in the expected recoverable value of collaterals and guarantees which resulted from the increase in costs and efforts of their realisation. As a result, there was an increase in the weighted average rate of ECL during 2024. Additionally, the Group launched its personal loans money lending business in Hong Kong in 2024, which accounted for approximately HK\$755,000 charge of loss allowance for ECL on loans to customers for the year ended 31 December 2024.

There was a one-off cumulative exchange loss previously recognised in other comprehensive income arising from the deregistration of a subsidiary in the amount of approximately HK\$4,064,000 recorded for the year ended 31 December 2024 whereas no such exchange loss was recognised for the year ended 31 December 2023.

The finance costs for the year ended 31 December 2024 decreased by approximately HK\$7,343,000 to approximately HK\$8,148,000 (2023: approximately HK\$15,491,000). The decrease was mainly due to redemption of convertible bonds by the Group during the years ended 31 December 2023 and 2024.

The increase in loss attributable to the owners of the Company was mainly due to the combined effects of the following factors: (i) a decrease in total revenue by approximately HK\$17,370,000 for the year ended 31 December 2024 compared to the corresponding year in 2023; (ii) a decrease of other income and other gains and losses, net by approximately HK\$4,840,000 for the year ended 31 December 2024 compared to the corresponding year in 2023; (iii) a decrease of administrative and other expenses by approximately HK\$6,130,000 for the year ended 31 December 2024 compared to the corresponding year in 2023; (iv) a one-off cumulative exchange loss previously recognised in other comprehensive income arising from the deregistration of a subsidiary in the amount of approximately HK\$4,064,000 recorded for the year ended 31 December 2024 whereas no such exchange loss was recognised for the year ended 31 December 2023; (v) a decrease in finance costs for the year ended 31 December 2024 by approximately HK\$7,343,000 compared to the corresponding year in 2023; and (vi) an increase in the charge of loss allowance for ECL on loans to customers by approximately HK\$2,650,000 for the year ended 31 December 2024 compared to the corresponding year in 2023.

Short-term financing services

During the year ended 31 December 2024, the revenue of short-term financing services was approximately HK\$18,863,000 (2023: approximately HK\$36,233,000). The operating results of short-term financing services recorded a profit before income tax of approximately HK\$5,015,000 (2023: approximately HK\$21,056,000). The decline in operating results was mainly due to the decrease in revenue by approximately HK\$17,370,000 for the year ended 31 December 2024.

PROSPECTS

Looking ahead, the global economy in 2025 is shaped by factors like geopolitical tensions, trade relations, inflation, and monetary policies, alongside rapid digital and technological changes. This creates a complex landscape with significant challenges and uncertainties.

In this complex and demanding market landscape, we must respond flexibly to market changes and fully leverage the Group's rapid and agile lending strategies. The Group intends to look for potential cooperation to develop and incorporate AI technology and transformation in order to adapt to the fast-changing business environment and capture the market opportunities. The Company wishes to enhance the service platform to include big data analysis, artificial intelligence, Natural Language Processing and/or cloud computing so that we could upgrade our services such as improving the level of industry informatization, reducing customer acquisition costs, and strengthening risk control. This initiative will allow us to align more closely with market developments in client acquisition, credit assessment, compliance management, and customer service, thereby translating operational efficiency and competitive advantage into revenue growth and enhancing customer satisfaction, even amidst market uncertainties.

While continuing to focus on our existing short-term financing operations, the Group will also actively seek new business opportunities including but not limited to pursuing potential merger and acquisition projects in the PRC and/or Hong Kong. This strategic approach aims to diversify our income sources, increase revenue, and create long-term sustainable value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group had other debts which are promissory notes of approximately HK\$73,804,000 (2023: promissory notes and liability component of convertible bonds of approximately HK\$113,796,000). 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 2024, the Group had cash and cash equivalents of approximately HK\$72,243,000 (2023: approximately HK\$93,183,000) 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 internal cash flows generated from operations and external fund raising activities from the capital market.

As at 31 December 2024, the gearing ratio for the Group was approximately 1.9 (2023: approximately 2.2), calculated based on the total debts of approximately HK\$73,804,000 (2023: approximately HK\$113,796,000) over shareholder's equity of approximately HK\$39,517,000 (2023: approximately HK\$51,136,000). The debt ratio was approximately 0.54 (2023: approximately 0.59), 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 debts.

CAPITAL STRUCTURE

The capital structure of the Group as at 31 December 2024 is summarised as follows:

(i) Bank Borrowings

There was no bank borrowings outstanding as at 31 December 2024 (2023: Nil).

(ii) Promissory Notes

During the year ended 31 December 2024, the Company had the promissory notes issued for the settlement of the matured New 2023 CB and matured promissory note. Summary of the promissory notes is as follows.

Date of issue (Note)	Principal amount as at 1 January 2024 (HK\$)	Interest rate per annum	Principal repayment due date	Amount issued during the year (HK\$)	Redeemed principal amount (HK\$)	Amount matured during the year (HK\$)	Outstanding principal amount as at 31 December 2024 (HK\$)
24 December 2023	13,650,000	7%	23 December 2024	–	(11,650,000)	(2,000,000)	–
5 August 2024	–	8%	4 August 2026	6,720,000	–	–	6,720,000
5 August 2024	–	8%	31 December 2025	63,664,650	–	–	63,664,650
23 December 2024	–	7%	23 December 2025	2,000,000	–	–	2,000,000

Note: On 24 December 2023, the Company entered into an agreement with the New 2022 CB holder, pursuant to which the Company issued a new promissory note with principal amount of HK\$13,650,000 to settle the outstanding principal amount of HK\$13,000,000 with redemption premium of HK\$650,000 of the New 2022 CB, which was matured on 24 December 2023.

On 5 August 2024, the Company entered into an agreement with a holder of the New 2023 CB, pursuant to which the Company issued a new promissory note with principal amount of HK\$6,720,000 to settle the outstanding principal amount of HK\$6,400,000 with redemption premium of HK\$320,000 of the New 2023 CB, which was matured on 5 August 2024.

On 5 August 2024, the Company entered into an agreement with a holder of the New 2023 CB, pursuant to which the Company issued a new promissory note with principal amount of HK\$63,664,650 to settle the outstanding principal amount of HK\$60,633,000 with redemption premium of HK\$3,031,650 of the New 2023 CB, which was matured on 5 August 2024.

On 23 December 2024, the Company entered into an agreement with a promissory note holder, pursuant to which the Company issued a new promissory note with principal amount of HK\$2,000,000 to settle the outstanding amount of HK\$2,000,000 of the promissory note, which was matured on 23 December 2024.

(iii) Convertible Bonds

Summary of the convertible bonds of the Company in issue during the year ended 31 December 2024 is as follows.

Date of issue	Principal amount as at 1 January 2024 (HK\$)	Maturity date	Conversion price per share (HK\$)	Amount redeemed during the year (HK\$)	Amount matured during the year (HK\$)	Outstanding principal amount as at 31 December 2024 (HK\$)	Number of shares to be issued upon full conversion as at 31 December 2024
21 July 2022	101,273,000	5 August 2024	1.0	(34,240,000)	(67,033,000)	–	–

FUND RAISING ACTIVITIES

Placing of New Shares under General Mandate

On 28 February 2024, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 15,640,000 placing shares at the placing price of HK\$0.5 per placing share (the “**Placing**”). The closing price of share was HK\$0.58 per share as quoted on the Exchange on 28 February 2024, being the date of the placing agreement.

The placing shares was allotted and issued pursuant to the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 28 June 2023 and is not subject to further Shareholders’ approval.

The completion of the Placing took place on 14 March 2024. All the placing shares are fully placed, the gross proceeds from which was approximately HK\$7.8 million. The net placing price was approximately HK\$0.48 per placing share. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission and all relevant expenses) incidental to the Placing of approximately HK\$0.3 million, was approximately HK\$7.5 million. The Company intended to apply the net proceeds from the Placing for settlement of outstanding short-term liabilities of the Company and general working capital of the Group and had fully utilised the net proceeds.

For details, please refer to the announcement of the Company dated 28 February 2024.

USE OF PROCEEDS

Placing of New Shares under General Mandate

The actual net proceeds raised from the placing of 15,640,000 ordinary shares of the Company as announced on 28 February 2024 was approximately HK\$7,511,000. Up to 31 December 2024, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds HK\$'000	Actual use of net proceeds up to 31 December 2024 HK\$'000	Unutilised net proceeds up to 31 December 2024 HK\$'000
Settlement of outstanding short-term liabilities of the Company	<u>7,511</u>	<u>7,511</u>	<u>–</u>

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2024, 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 2024, the Group did not have any assets under charge (2023: 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 2024, 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 the rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2024, 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 2024, 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 2024, the Group did not have any material contingent liability (2023: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2024, the Group employed a total of 39 employees (2023: 39 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 2024 amounted to approximately HK\$13,643,000 (2023: approximately HK\$14,176,000).

The Company has adopted the share option scheme on 18 June 2024 where options to subscribe for shares of the Company may be granted to the eligible participants of the Group as to recognise and motivate the contribution and potential future contribution of the eligible participants. No share options have been granted to the eligible participants under the share option scheme during the year ended 31 December 2024.

EVENT AFTER REPORTING PERIOD

Disposal of investment property

On 27 February 2025, Beijing City Jinshou Pawning Company Limited (“**Beijing Jinshou**”), an indirect wholly-owned subsidiary of the Company, has entered into a sales and purchase agreement with the independent third party, pursuant to which Beijing Jinshou has agreed to sell the property, which is a residential premise located in Beijing, for a total consideration of RMB1,920,000 (equivalent to approximately HK\$2,050,000) (the “**Disposal**”). As at 31 December 2024, the fair value of the property was RMB1,920,000 (equivalent to approximately HK\$2,043,000). The Disposal was completed, with no significant gain or loss on disposal of investment property recognised in the profit or loss.

Partial Redemption of Promissory Note

On 26 March 2025, the Company and a holder of promissory note entered into redemption agreement, to early redeem the promissory note with principal amount of HK\$4,060,000 by cash settlement at consideration of HK\$4,060,000. Upon completion of the redemption, the remaining outstanding principal of promissory note is HK\$59,604,650. The carrying value of the promissory note redeemed was approximately HK\$4,227,000 and a settlement gain of approximately HK\$167,000 was recognised in the profit or loss.

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 2024.

CORPORATE GOVERNANCE

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group’s assets.

Throughout the year ended 31 December 2024, the Company had complied with all the code provisions set out in the Appendix C1 Corporate Governance Code of the GEM Listing Rules (the “**CG Code**”).

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 2024.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2024, 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 FORVIS 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 2024 as set out in this announcement have been agreed by the Group’s auditor, Forvis Mazars CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Forvis 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 Forvis 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 2024.

By order of the Board of
Capital Finance Holdings Limited
Li Wei
Executive Director

Hong Kong, 27 March 2025

As at the date of this announcement, the executive Directors are Mr. Zhang Wei, Ms. Li Wei and Mr. Wong Ming Fair Victor; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Chan Ngai Fan and Ms. Cheung Yin Man Monica.

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>.