

The logo for Capital Finance Holdings Limited, consisting of the letters 'CFHL' in a bold, brown, sans-serif font.

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)

First Quarterly Report

2020

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

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

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

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

The board of Directors (the “**Board**”) of the Company is pleased to report the unaudited condensed consolidated quarterly results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2020 (the “**Period**”) together with the comparative unaudited figures for the corresponding period in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2020

	Note	Three months ended 31 March 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	4	9,719	13,482
Other income and other gains and losses, net	4	457	700
Administrative and other expenses		(9,279)	(8,341)
(Charge)/Reversal of loss allowance for expected credit losses on loans to customers		(16,930)	2,341
Finance costs	5	(12,751)	(12,526)
Loss before income tax	6	(28,784)	(4,344)
Income tax credits/(expenses)	7	2,413	(2,150)
Loss for the period		(26,371)	(6,494)
Attributable to:			
Owners of the Company		(27,130)	(8,834)
Non-controlling interests		759	2,340
		(26,371)	(6,494)
			(Restated)
Loss per share attributable to owners of the Company	9	(10.03)	(3.39)
Basic and diluted (Hong Kong cents)			

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the period	(26,371)	(6,494)
Other comprehensive (expense)/income for the period, net of tax:		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	(11,512)	12,854
Other comprehensive (expense)/income for the period, net of tax	(11,512)	12,854
Total comprehensive (expense)/income for the period	(37,883)	6,360
Attributable to:		
Owners of the Company	(37,555)	3,573
Non-controlling interests	(328)	2,787
	(37,883)	6,360

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Reserves									Equity attributable to owners of the Company	Non-controlling interests	Total
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve (debit)	Convertible bonds reserve	FVTOCI reserve	Statutory reserve	Accumulated losses			
As at 1 January 2020 (Audited)	13,012	616,828	131,109	280,749	(85,125)	10,978	(3,079)	25,563	(968,668)	21,367	49,620	70,987
Loss for the period	-	-	-	-	-	-	-	-	(27,130)	(27,130)	759	(26,371)
Other comprehensive expense												
Item that will be reclassified to profit or loss												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(10,425)	-	-	-	-	(10,425)	(1,087)	(11,512)
Other comprehensive expense for the period	-	-	-	-	(10,425)	-	-	-	-	(10,425)	(1,087)	(11,512)
Total comprehensive expense for the period	-	-	-	-	(10,425)	-	-	-	(27,130)	(37,555)	(328)	(37,883)
Transaction with owners												
Issue of new shares upon placing	1,052	8,557	-	-	-	-	-	-	-	9,609	-	9,609
Transaction with owners	1,052	8,557	-	-	-	-	-	-	-	9,609	-	9,609
As at 31 March 2020 (Unaudited)	14,064	625,385	131,109	280,749	(95,550)	10,978	(3,079)	25,563	(995,798)	(6,579)	49,292	42,713

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*
For the three months ended 31 March 2019

	Reserves									Equity attributable to owners of the Company	Non-controlling interests	Total
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve (debit)	Convertible bonds reserve	FVTOCI 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	HK\$'000	HK\$'000
As at 31 December 2018 as originally presented	13,012	616,828	131,109	120,794	(75,051)	713,306	(1,093)	22,367	(1,630,751)	(89,479)	12,402	(77,077)
Initial adoption of HKFRS 16 (Note)	-	-	-	-	-	-	-	-	(200)	(200)	(5)	(205)
Restated as at 1 January 2019	13,012	616,828	131,109	120,794	(75,051)	713,306	(1,093)	22,367	(1,630,951)	(89,679)	12,397	(77,282)
Loss for the period	-	-	-	-	-	-	-	-	(8,834)	(8,834)	2,340	(6,494)
Other comprehensive income												
<i>Item that will be reclassified to profit or loss</i>												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	12,407	-	-	-	-	12,407	447	12,854
Other comprehensive income for the period	-	-	-	-	12,407	-	-	-	-	12,407	447	12,854
Total comprehensive income for the period	-	-	-	-	12,407	-	-	-	(8,834)	3,573	2,787	6,360
As at 31 March 2019 (Unaudited)	13,012	616,828	131,109	120,794	(62,644)	713,306	(1,093)	22,367	(1,639,785)	(86,106)	15,184	(70,922)

Note: Upon the adoption of HKFRS 16 "Leases" on 1 January 2019, the accumulated impact of HK\$200,000 was recorded as an adjustment to the accumulated losses as at 1 January 2019, including HK\$5,395,000 depreciation on right-of-use assets, HK\$515,000 interest expenses on lease liabilities and HK\$5,710,000 reversal of operating lease expenses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 (the “**First Quarterly Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622, Laws of Hong Kong) and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Exchange (the “**GEM Listing Rules**”).

The First Quarterly Financial Statements have been prepared under the historical cost basis except for investment properties and certain financial instruments which were stated at fair value. The First Quarterly 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.

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2019, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKAS**”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2019 (the “**Annual Report**”).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 *Basis of preparation (Continued)*

The preparation of First Quarterly Financial Statements requires the Directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The First Quarterly Financial Statements have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee (the "Audit Committee").

2.2 *Principal accounting policies*

The First Quarterly Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Annual Report, except for the adoption of the standards, amendments and interpretation issued by the HKICPA that are first effective for the current accounting periods beginning on 1 January 2020.

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effect on the results and financial position of the Group for the current and prior accounting periods.

At the date of authorisation of the First Quarterly Financial Statements, the Group has not early adopted any new/revised HKFRSs that are not yet effective for the current period. The Directors of the Company are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but not yet in a position to reasonably estimate their impact on the Group's First Quarterly Financial Statements.

3. SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment of the Group's various lines of business and geographical locations.

Executive Directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in the Short-term Financing Services comprises pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in the PRC and Hong Kong, which is the basis to allocate resources and assets performance. 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, revenues and results are based on the location in which the customer is located.

All the Group's revenue are derived from PRC during the three months ended 31 March 2020 and 31 March 2019.

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

	Three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue		
Revenue from other sources		
Interest income from loans to customers	9,703	13,463
Revenue from contracts with customers within HKFRS 15		
Financial consultancy income	16	19
Short-term financing services income	9,719	13,482
Other income and other gains and losses, net		
Foreign exchange (loss)/gain, net	(186)	236
Bank interest income	422	382
Gain on disposal of property, plant and equipment	–	77
Gain on modification of terms of promissory note (Note)	215	–
Sundry income	6	5
	457	700

Note: On 21 February 2020, the Company and the holder of the promissory note, which is an independent third party to the Group, entered into an amendment agreement, to extend the maturity date of the promissory note by 1 year from 6 February 2020 to 6 February 2021 and to carry interest at the rate of 8% per annum based on the actual number of borrowing days. The modification was not accounted for as an extinguishment and gain on modification of terms was recognised to account for the modification.

5. FINANCE COSTS

	Three months ended	
	31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Effective interest expenses on		
– Convertible bonds	12,158	12,011
– Promissory notes	546	451
– Lease liabilities	47	64
	12,751	12,526

6. LOSS BEFORE INCOME TAX

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

	Three months ended	
	31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff Costs (excluding directors' emoluments)		
Salaries, allowance and other benefits	3,589	3,431
Pension scheme contributions	304	502
Depreciation of property, plant and equipment	79	144
Depreciation of right-of-use assets		
– land and buildings	809	821

7. INCOME TAX (CREDITS)/EXPENSES

The amount of income tax (credits)/expenses in the unaudited condensed consolidated statements of profit or loss represents:

	Three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current income tax		
PRC		
Current tax charge for the year	1,129	1,927
Over-provision in respect of prior periods	(441)	–
	688	1,927
Withholding tax on dividends	1,132	–
Deferred tax (credited)/charged	(4,233)	223
Income tax (credits)/expenses	(2,413)	2,150

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

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

For the Period, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in Hong Kong (2019: Nil).

The subsidiaries of the Group established in the PRC save for below are subject to enterprise income tax ("EIT") of the PRC at 25% (2019: 25%). Pursuant to the relevant laws and implementation rules announced by the People's Government of the Tibet Autonomous Region, Lhasa Jade Financial Consultant Company Limited ("Lhasa"), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the Period (2019: 15%). 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 period ended 31 March 2020 of certain subsidiaries of the Group established in the PRC, is expected to be less than RMB3 million, which satisfies the provisions of the notice above. During the Period, the part of taxable income that is not in excess of RMB1 million is reduced to 25% of original total taxable income, and the applicable EIT rate is 20%. Additionally, the part of taxable income that is between RMB1 million and RMB3 million is reduced to 50% of original total taxable income, and the applicable EIT rate is 20%.

Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 10% (2019: 10%).

8. DIVIDEND

The Directors do not recommend for payment of a dividend for the Period (2019: Nil).

9. LOSS PER SHARE

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

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

For the three months ended 31 March 2020 and the three months ended 31 March 2019, as the Company's outstanding 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 three months ended 31 March 2020 and the three months ended 31 March 2019 are equal.

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

	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss		
Loss attributable to the owners of the Company, used in basic loss per share calculation	27,130	8,834
Adjustment of loss attributable to the owners of the Company: Interest saving of the convertible bonds	—*	—*
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	27,130	8,834

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

9. LOSS PER SHARE *(Continued)*

	2020 (Unaudited) '000	2019 (Unaudited) '000 (Restated)
Share		
Weighted average number of ordinary shares for basic loss per share calculation (Notes a and b)	270,403	260,224
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	_*	_*
Weighted average number of ordinary shares for diluted loss per share calculation (Notes a and b)	270,403	260,224

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

Notes:

- (a) The weighted average number of ordinary shares of 270,402,987 for the Period is derived from 1,301,118,056 in issue as at 1 January 2020 after taking into account the effects of (i) placing of shares under general mandate completed on 17 February 2020; and (ii) the share consolidation with effect on 8 April 2020.
- (b) The weighted average number of ordinary shares of 260,223,611 for the Period is derived from 1,301,118,056 in issue as at 1 January 2019 after taking into account the effect of the share consolidation with effect on 8 April 2020.

10. EVENT AFTER THE REPORTING PERIOD

Share Consolidation and Change in Board Lot Size

On 7 February 2020, the Company proposed to (i) implement the share consolidation pursuant to which every five (5) Existing Shares (as defined in the circular dated 28 February 2020 (the "Circular")) would be consolidated into one (1) Consolidated Share (as defined in the Circular) (the "Share Consolidation"); and (ii) change the board lot size for trading on the Exchange from 2,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective. The Share Consolidation was approved by the shareholders of the Company at the special general meeting held on 6 April 2020 and became effective on 8 April 2020.

Details of the Share Consolidation are set out in the Company's announcements dated 7 February 2020 and 6 April 2020 and the Circular.

Save as disclosed above, there is no other material subsequent event undertaken by the Group after 31 March 2020 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the Period, the Group is principally engaged in short-term financing services in the PRC and Hong Kong.

The Group recorded total revenue for the Period of approximately HK\$9,719,000 (2019: approximately HK\$13,482,000), representing a decrease of approximately HK\$3,763,000 as compared with last period. The decrease was mainly attributable to the decrease in interest income from loan to customers during the Period.

The administrative and other expenses for the Period increased by approximately HK\$938,000 to approximately HK\$9,279,000 (2019: approximately HK\$8,341,000).

The Group recorded charge of loss allowance for expected credit losses (“ECLs”) on loans to customers for the Period of approximately HK\$16,930,000 while reversal of loss allowance for ECLs on loans to customers of approximately HK\$2,341,000 was recorded in the corresponding period of 2019.

The loss attributable to the owners of the Company for the Period was approximately HK\$27,130,000 (2019: loss of approximately HK\$8,834,000). The increase in loss was mainly attributable to the effect of decrease in revenue and charge of loss allowance for ECLs on loans to customers as a result of the unfavourable economic environment and the extreme market and operating conditions caused by COVID-19 pandemic.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Period, the Group did not process any significant investment, acquisition or disposal of subsidiaries or associated companies.

FUND RAISING ACTIVITIES

Placing of New Shares under General Mandate

On 30 January 2020, the Company and a placing agent entered into a placing agreement pursuant to which the placing agent agreed to procure not less than six independent placees (the “Placees”) to subscribe for a maximum of 105,264,000 new ordinary shares of HK\$0.01 each (the “Share(s)”) of the Company at the placing price of HK\$0.095 per Share (the “Placing”). The new Shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 23 May 2019. The 105,264,000 new Shares were placed to the Placees on 17 February 2020 with net proceeds of approximately HK\$9,609,000 (“Net Proceeds”). The Company used the actual Net Proceeds from the Placing for the settlement of outstanding short-term liabilities of the Company.

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

PROSPECTS

Looking to the future, the development of US-China tensions and the COVID-19 pandemic are expected to create difficult operating conditions for businesses. In this regard, the People's Bank of China is carrying out prudent and moderately flexible monetary policy by strengthening counter-cyclical adjustments and keeping reasonably abundant liquidity in the banking system to ensure sound monetary and financial conditions of the small, medium and micro-sized enterprises (the "SMMEs"). This may lead to a more fierce competition among the money lending industry in the PRC. Our short-term financing service business will continue to offer a faster and more flexible service to the SMMEs and the individual borrowers in order to maintain competitiveness in the financial market. Going forward, the Group believes that the recent acquisition of 50% equity interests in Beijing Huayuan Sifang Asset Management Company Limited, a company principally engaged in distressed debt assets management and provision of consultancy services, will help to diversify the business risks and to create synergies with the existing business, thereby taking the Group to the next stage. At the same time, the Group will continue to seek new investment opportunities to broaden and diversify our income stream so as to improve the overall financial performance of the Group and maximise the value for our shareholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which (i) were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Zhang Wei	Beneficial owner	113,763,201	8.09
Ms. Li Wei	Beneficial owner	72,938,000	5.19

Save for disclosed above, as at 31 March 2020, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the three months ended 31 March 2020.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 31 March 2020, the following companies and persons had interests in more than 5% of the Company's issued shares:

Long Position in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company (Note 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	1,384,571,429	-	1,384,571,429	98.44
Mr. Dai Di (Note 1)	-	1,384,571,429	1,384,571,429	98.44
Time Prestige Holdings Limited (Note 2)	161,142,857	-	161,142,857	11.45
Mr. Dai Hao (Notes 2 and 3)	-	563,999,999	563,999,999	40.10
Bustling Capital Limited (Note 3)	402,857,142	-	402,857,142	28.64
Ms. Jin Yu (Notes 2 and 3)	-	563,999,999	563,999,999	40.10
Silver Palm Limited (Note 4)	71,428,571	-	71,428,571	5.08
Mr. Zhang Xiaoman (Note 4)	-	71,428,571	71,428,571	5.08

Notes:

- The 1,384,571,429 Shares held by Exuberant Global Limited ("**Exuberant Global**") represent (i) 294,200,000 Shares; and (ii) 1,090,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,384,571,429 Shares held by Exuberant Global.
- The 161,142,857 Shares held by Time Prestige Holdings Limited ("**Time Prestige**") represent (i) 26,800,000 Shares; and (ii) 134,342,857 Shares to be issued upon full conversion of the convertible bonds. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital Limited ("**Bustling Capital**").
- The 402,857,142 Shares held by Bustling Capital represent (i) 67,000,000 Shares; and (ii) 335,857,142 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 402,857,142 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 161,142,857 Shares held by Time Prestige.
- Silver Palm Limited ("**Silver Palm**") is wholly and beneficially owned by Mr. Zhang Xiaoman. Accordingly, Mr. Zhang Xiaoman is deemed to be interested in the 71,428,571 Shares held by Silver Palm.
- The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 March 2020 (i.e. 1,406,382,056 Shares).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

Save as disclosed above, the Directors are not aware of any person who, as at 31 March 2020, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

INTERESTS IN A COMPETING BUSINESS

During the Period, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by the Directors on terms no less exacting than the Rules 5.48 to 5.67 (the "**Model Code**") of the GEM Listing Rules. 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 Period.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

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

Hong Kong, 11 May 2020

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

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