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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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021**

#### **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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of Directors (the “**Board**”) of the Company is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2021 (the “**Period**”) together with the comparative figures for the corresponding period in 2020, as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2021

	Notes	Three months ended 31 March	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	4	9,158	9,719
Other income and other gains and losses, net	4	1,123	457
Administrative and other expenses		(9,112)	(9,279)
Charge of loss allowance for expected credit loss on loans to customers		(3,135)	(16,930)
Finance costs	5	(11,101)	(12,751)
<b>Loss before income tax</b>	6	(13,067)	(28,784)
Income tax (expenses)/credits	7	(200)	2,413
<b>Loss for the period</b>		<u>(13,267)</u>	<u>(26,371)</u>
<b>Attributable to:</b>			
Owners of the Company		(13,724)	(27,130)
Non-controlling interests		457	759
		<u>(13,267)</u>	<u>(26,371)</u>
			(Restated)
<b>Loss per share attributable to owners of the Company</b>	9		
Basic and diluted (Hong Kong cents)		<u>(3.59)</u>	<u>(9.74)</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the period</b>	<b>(13,267)</b>	<b>(26,371)</b>
<b>Other comprehensive expense for the period, net of tax:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	<u>(140)</u>	<u>(11,512)</u>
<b>Other comprehensive expense for the period, net of tax</b>	<u><b>(140)</b></u>	<u><b>(11,512)</b></u>
<b>Total comprehensive expense for the period</b>	<u><b>(13,407)</b></u>	<u><b>(37,883)</b></u>
<b>Attributable to:</b>		
Owners of the Company	<u><b>(13,836)</b></u>	<u><b>(37,555)</b></u>
Non-controlling interests	<u><b>429</b></u>	<u><b>(328)</b></u>
	<u><b>(13,407)</b></u>	<u><b>(37,883)</b></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Reserves									Equity 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			
	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 (Audited)	14,064	625,385	131,109	282,885	(61,632)	9,282	(2,831)	26,838	(1,046,088)	(20,988)	47,007	26,019
Loss for the period	-	-	-	-	-	-	-	-	(13,724)	(13,724)	457	(13,267)
<b>Other comprehensive expense</b>												
<i>Item that may be reclassified subsequently to profit or loss:</i>												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(112)	-	-	-	-	(112)	(28)	(140)
Other comprehensive expense for the period	-	-	-	-	(112)	-	-	-	-	(112)	(28)	(140)
Total comprehensive expense for the period	-	-	-	-	(112)	-	-	-	(13,724)	(13,836)	429	(13,407)
<b>Transactions with owners</b>												
Issue of shares under rights issue	28,127	43,955	-	-	-	-	-	-	-	72,082	-	72,082
Deemed capital contribution arising from liability portion of convertible bonds	-	-	-	648	-	-	-	-	-	648	-	648
Redemption of 2022 CB (As defined in Annual Report 2020) by cash	-	-	-	-	-	(1,053)	-	-	(210)	(1,263)	-	(1,263)
Transactions with owners	28,127	43,955	-	648	-	(1,053)	-	-	(210)	71,467	-	71,467
As at 31 March 2021 (Unaudited)	<u>42,191</u>	<u>669,340</u>	<u>131,109</u>	<u>283,533</u>	<u>(61,744)</u>	<u>8,229</u>	<u>(2,831)</u>	<u>26,838</u>	<u>(1,060,022)</u>	<u>36,643</u>	<u>47,436</u>	<u>84,079</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the three months ended 31 March 2020

	Reserves									Equity 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			
	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 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)
<b>Other comprehensive expense</b>												
<i>Item that may be reclassified subsequently to profit or loss:</i>												
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)
<b>Transaction with owners</b>												
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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2021*

## 1. GENERAL INFORMATION

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

During the Period, 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.

## 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 2021 (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 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 2020, 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 2020 (the "**Annual Report**").

The preparation of First Quarterly Financial Statements requires the Directors 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 2021.

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 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. On this basis, the Group has determined that it only has one operating segment which is the provision of short-term financing services to the customers. As this is the only operating segment of the Group, no further analysis for segment information is presented.

In determining the Group's geographical segments and revenues are based on the location in which the customers are located.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile.

All the Group's revenue are derived from the PRC during the three months ended 31 March 2021 and 31 March 2020, being the single geographical region.

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

	<b>Three months ended 31 March</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b> <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
<b>Revenue</b>		
<b>Revenue from other sources</b>		
Interest income from loans to customers	9,045	9,703
Settlement gain from distressed debt assets classified in loans to customers	113	–
	<u>9,158</u>	9,703
<b>Revenue from contracts with customers within HKFRS 15</b>		
Financial consultancy income	–	16
Short-term financing services income	<u>9,158</u>	<u>9,719</u>
<b>Other income and other gains and losses, net</b>		
Foreign exchange loss, net	(5)	(186)
Bank interest income	466	422
Gain on modification of terms of a promissory note ( <i>Note 1</i> )	–	215
Rental income from investment properties	7	6
Settlement gain on early redemption of convertible bonds ( <i>Note 2</i> )	126	–
Sundry income	529	–
	<u>1,123</u>	<u>457</u>

#### Notes:

- 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.
- On 25 March 2021, the Company and the holder of 2020 CB (As defined in Annual Report 2020), which is an independent third party of the Company, entered into redemption agreement to early redeem the zero-coupon convertible bonds with principal amount of HK\$10,000,000 by cash settlement of HK\$9,300,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of 2022 CB at initial recognition. At the date of redemption, a settlement gain on early redemption, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK\$126,000 and the redemption prices allocated to the equity component of approximately HK\$206,000, were recognised in profit or loss and equity respectively. Upon the redemption of 2022 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2022 CB of approximately HK\$34,000 was transferred to accumulated losses.



## 5. FINANCE COSTS

	Three months ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest expenses on		
– Convertible bonds	10,941	12,158
– Promissory notes	109	546
– Lease liabilities	51	47
	<u>11,101</u>	<u>12,751</u>

## 6. LOSS BEFORE INCOME TAX

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

	Three months ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff Costs (excluding directors' emoluments)		
Salaries, allowance and other benefits	3,537	3,589
Pension scheme contributions	418	304
Depreciation of property, plant and equipment	142	79
Depreciation of right-of-use assets	442	809
Short-term or low value lease payments	437	–

## 7. INCOME TAX EXPENSES/(CREDITS)

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

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Current income tax</b>		
The PRC		
Current tax charge for the period	981	1,129
Under/(Over)-provision in respect of prior periods	3	(441)
	<u>984</u>	<u>688</u>
<b>Withholding tax on dividends</b>	-	1,132
<b>Deferred tax credited</b>	<u>(784)</u>	<u>(4,233)</u>
Income tax expenses/(credits)	<u>200</u>	<u>(2,413)</u>

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

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

For the Period, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong (2020: 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% (2020: 25%). Pursuant to the relevant laws and implementation rules announced by the People’s Government of the Tibet Autonomous Region, 拉薩嘉德財務顧問有限公司 (Lhasa Jiade Financial Consultant Company Limited\*), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the Period (2020: 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 2021 and 2020 of certain subsidiaries of the Group established in the PRC were 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% (2020: 10%).

\* English name is for identification purpose only

## 8. DIVIDEND

The Directors do not recommend for payment of a dividend for the Period (2020: Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share for the current period and prior period is based on the loss for the period 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 calculation of diluted loss per share for the current period and prior period is based on the loss for the period 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 2021, as the Company's outstanding convertible bonds had an anti-dilutive (2020: 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 2021 are equal (2020: equal).

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

	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss</b>		
Loss attributable to the owners of the Company, used in basic loss per share calculation	<b>(13,724)</b>	(27,130)
Adjustment of loss attributable to the owners of the Company: Interest saving of the convertible bonds	<u>          _*</u>	<u>          _*</u>
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	<b><u>(13,724)</u></b>	<b><u>(27,130)</u></b>

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

<b>Three months ended 31 March</b>	
<b>2021</b>	2020
<b>(Unaudited)</b>	(Unaudited)
<b>'000</b>	'000
	(Restated)

**Share**

Weighted average number of ordinary shares for basic loss per share calculation ( <i>Notes a and b</i> )	<b>382,067</b>	278,515
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	—*	—*
Weighted average number of ordinary shares for diluted loss per share calculation ( <i>Notes a and b</i> )	<b>382,067</b>	278,515

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

*Notes:*

- (a) The weighted average number of ordinary shares of 382,067,125 for the three months ended 31 March 2021 is derived from 281,276,411 in issue as at 1 January 2021 after taking into account the effects of the rights issue became unconditional and completed as announced on 15 March 2021.
- (b) The weighted average number of ordinary shares of 278,515,077 for the three months ended 31 March 2020 is derived from 1,301,118,056 in issue as at 1 January 2020 after taking into account the effect of (i) placing of shares under general mandate completed on 17 February 2020; (ii) the share consolidation with effect on 8 April 2020; and (iii) the rights issue became unconditional and completed as announced on 15 March 2021.

## **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\$9,158,000 (2020: approximately HK\$9,719,000), representing a decrease of approximately HK\$561,000 as compared with corresponding period last year. 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 decreased by approximately HK\$167,000 to approximately HK\$9,112,000 (2020: approximately HK\$9,279,000).

The Group recorded charge of loss allowance for expected credit losses (“ECLs”) on loans to customers for the Period of approximately HK\$3,135,000 (2020: approximately HK\$16,930,000), representing a decrease of approximately HK\$13,795,000 as compared with corresponding period of 2020. The significant charge of loss allowance for ECLs for the three months ended 31 March 2020 was mainly due to the emergence of COVID-19 pandemic in the first quarter of 2020. This has brought an unprecedented adverse impacts on the financial condition of many of the Group’s customers which resulted in a deterioration of the customers’ aging, and a decline of the expected recoverable value of collaterals and guarantees. During the Period, the customer’s aging has been stable, as a result the charge of loss allowance for ECLs for the Period is relatively lower as compared with corresponding period last year.

The loss attributable to the owners of the Company for the Period was approximately HK\$13,724,000 (2020: approximately HK\$27,130,000). The decrease in loss was mainly attributable to the effect of decrease in charge of loss allowance for ECLs on loans to customers as mentioned above.

## PROSPECTS

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

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

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

## FUND RAISING ACTIVITIES

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

On 3 December 2020, the Company proposed to implement the rights issue on the basis of two (2) rights shares for every one (1) existing share held on 8 February 2021, being the record date, at the subscription price of HK\$0.135 per rights share, to raise up to approximately HK\$75.9 million before expenses by issuing up to 562,552,822 rights shares, with nominal value of HK\$0.05 each, to the qualifying shareholders of the Company (the "**Rights Issue**"). The net subscription price per rights share after deducting the related expenses of the Rights Issue was approximately HK\$0.13 per share. The Rights Issue was proposed to proceed on a non-underwritten basis irrespective of the level of acceptance of the provisional allotted rights shares and the Company would make compensatory arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the unsubscribed rights shares and the non-qualifying unsold rights shares to independent places for the benefit of the shareholders of the Company to whom they were offered by way of the Rights Issue. The Company therefore appointed a placing agent to place the unsubscribed rights shares under the Rights Issue to independent places at a placing price not less than the subscription price of the Rights Issue (i.e. HK\$0.135 per share). The closing price of the share was HK\$0.129 per share as quoted on the Exchange on 3 December 2020, being the date of the announcement of the proposed Rights Issue.

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

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

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

During the Period, save as disclosed above, the Group did not have any other fund raising activities.

## USE OF PROCEEDS

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

The actual net proceeds raised from the Rights Issue was approximately HK\$72.1 million. Up to 31 March 2021, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds as stated in the Prospectus <i>HK\$'000</i>	Actual use of net proceeds up to 31 March 2021 <i>HK\$'000</i>	Unutilised net proceeds up to 31 March 2021 <i>HK\$'000</i>	Expected timeline for the intended use
Repayment of promissory note	5,400	5,400	–	N/A
Repayment of convertible bonds	35,000	35,000	–	N/A
Establishment of new business on biotechnology side and business development of the Group in the PRC	20,000	–	20,000	On or before 31 May 2021
General working capital	11,682	1,464	10,218	On or before 30 September 2021
	72,082	41,864	30,218	

## **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 2021, 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) (the “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**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding in the Company</b>
Mr. Zhang Wei	Beneficial owner	68,257,920	8.09
Ms. Li Wei	Beneficial owner	43,762,800	5.19

Save for disclosed above, as at 31 March 2021, 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 code of conduct for securities transactions by the Directors (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 Period.



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

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 31 March 2021, 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 4)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	191,072,571	–	191,072,571	22.64
Mr. Dai Di (Note 1)	–	191,072,571	191,072,571	22.64
Time Prestige Holdings Limited (Note 2)	32,228,571	–	32,228,571	3.81
Mr. Dai Hao (Notes 2 and 3)	–	112,799,999	112,799,999	13.36
Bustling Capital Limited (Note 3)	80,571,428	–	80,571,428	9.54
Ms. Jin Yu (Notes 2 and 3)	–	112,799,999	112,799,999	13.36

#### Notes:

- The 191,072,571 shares held by Exuberant Global Limited (“**Exuberant Global**”) represent (i) 58,840,000 shares; and (ii) 132,232,571 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 191,072,571 shares held by Exuberant Global.
- The 32,228,571 shares held by Time Prestige Holdings Limited (“**Time Prestige**”) represent (i) 5,360,000 shares; and (ii) 26,868,571 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 32,228,571 shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 80,571,428 shares held by Bustling Capital Limited (“**Bustling Capital**”).
- The 80,571,428 shares held by Bustling Capital represent (i) 13,400,000 shares; and (ii) 67,171,428 shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 80,571,428 shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 32,228,571 shares held by Time Prestige.
- The percentage represents the number of shares interested divided by the number of the issued shares as at 31 March 2021 (i.e. 843,829,233 shares).

Save as disclosed above, the Directors are not aware of any person who, as at 31 March 2021, 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 Model Code on terms no less exacting than the Rules 5.48 to 5.67 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, 10 May 2021

*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 Dr. Wong Wing Kuen Albert.*

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