

CFHL

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)

2024 Interim Report



60
50
40
30
20
10

3.45%





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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 results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Interim Period**”) together with the unaudited comparative figures for the corresponding period in 2023, as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	4	5,968	21,466
Other income and other gains and losses, net	4	3,820	4,485
Administrative and other expenses		(12,464)	(15,122)
(Charge)/Reversal of loss allowance for expected credit loss (“ ECL ”) on loans to customers	15(b)	(2,460)	7,452
Fair value loss on financial assets at fair value through profit or loss (“ FVTPL ”)	5	–	(167)
Finance costs	6	(4,643)	(8,631)
(Loss)/Profit before income tax	7	(9,779)	9,483
Income tax expenses	8	(3,427)	(5,860)
(Loss)/Profit for the period		(13,206)	3,623
Attributable to:			
Owners of the Company		(12,030)	2,822
Non-controlling interests		(1,176)	801
		(13,206)	3,623
(Loss)/Earnings per share attributable to owners of the Company			
– Basic and diluted (Hong Kong cents)	10	(29.53)	4.24



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
(Loss)/Profit for the period	(13,206)	3,623
Other comprehensive (expense)/income for the period		
<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	3	24
– Exchange differences on translation of financial statements of foreign operations	(4,127)	(11,628)
Other comprehensive expense for the period, net of tax	(4,124)	(11,604)
Total comprehensive expense for the period	(17,330)	(7,981)
Attributable to:		
Owners of the Company	(15,215)	(6,920)
Non-controlling interests	(2,115)	(1,061)
	(17,330)	(7,981)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	778	923
Right-of-use assets	12	2,145	3,260
Investment properties	13	2,212	2,269
Intangible assets		–	–
Goodwill		–	–
Repossessed assets	14	918	942
Investment in a joint venture		–	–
Deferred tax assets		26,293	27,909
		32,346	35,303
Current assets			
Loans to customers	15	54,735	89,833
Prepayments, deposits and other receivables		1,247	934
Cash and cash equivalents		88,250	93,183
		144,232	183,950
Current liabilities			
Accrued expenses, other payables and deposits received		6,639	9,562
Tax payables		505	2,082
Amounts due to directors	16	1,095	925
Promissory notes	17	5,239	13,660
Convertible bonds – liability component	18	83,226	100,136
Lease liabilities		545	1,205
		97,249	127,570
Net current assets		46,983	56,380
Total assets less current liabilities		79,329	91,683
Non-current liabilities			
Lease liabilities		1,895	2,171
		1,895	2,171
Net assets		77,434	89,512
Capital and reserves			
Issued capital	19	938	782
Reserves		40,235	50,354
Equity attributable to owners of the Company		41,173	51,136
Non-controlling interests		36,261	38,376
Total equity		77,434	89,512



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	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	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
As at 1 January 2024 (Audited)	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 period	-	-	-	-	-	-	-	(12,030)	(12,030)	(1,176)	(13,206)
Other comprehensive expense											
<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	-	-	-	-	3	-	-	-	3	-	3
- financial statements of foreign operations	-	-	-	-	(3,188)	-	-	-	(3,188)	(939)	(4,127)
Other comprehensive expense for the period	-	-	-	-	(3,185)	-	-	-	(3,185)	(939)	(4,124)
Total comprehensive expense for the period	-	-	-	-	(3,185)	-	-	(12,030)	(15,215)	(2,115)	(17,330)
Transfer from statutory reserve	-	-	-	-	-	-	(5,667)	5,667	-	-	-
Transactions with owners											
Issue of new shares upon placing (Note 19)	156	7,355	-	-	-	-	-	-	7,511	-	7,511
Redemption of New 2023 CB (as defined in Note 18) by cash	-	-	-	-	-	(2,259)	-	-	(2,259)	-	(2,259)
Transactions with owners	156	7,355	-	-	-	(2,259)	-	-	5,252	-	5,252
As at 30 June 2024 (Unaudited)	938	704,127	193,569	304,635	(78,819)	8,510	19,108	(1,110,895)	41,173	36,261	77,434

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

For the six months ended 30 June 2023

	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	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
As at 1 January 2023 (Audited)	58,091	686,772	131,109	304,635	(69,423)	22,093	22,931	(1,095,958)	60,250	41,065	101,315
Profit for the period	-	-	-	-	-	-	-	2,822	2,822	801	3,623
Other comprehensive expense											
<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	-	-	-	-	24	-	-	-	24	-	24
- financial statements of foreign operations	-	-	-	-	(9,766)	-	-	-	(9,766)	(1,862)	(11,628)
Other comprehensive expense for the period	-	-	-	-	(9,742)	-	-	-	(9,742)	(1,862)	(11,604)
Total comprehensive expense for the period	-	-	-	-	(9,742)	-	-	2,822	(6,920)	(1,061)	(7,981)
Transactions with owners											
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,244)	(1,244)
Issue of new shares upon placing (Note 19)	101	4,018	-	-	-	-	-	-	4,119	-	4,119
Redemption of New 2022 CB (as defined in Note 18) and New 2023 CB by cash	-	-	-	-	-	(4,633)	-	195	(4,438)	-	(4,438)
Conversion of New 2022 CB (Note 18)	5,050	5,982	-	-	-	(1,366)	-	-	9,666	-	9,666
Capital Reduction (Note 19)	(62,460)	-	62,460	-	-	-	-	-	-	-	-
Transactions with owners	(57,309)	10,000	62,460	-	-	(5,999)	-	195	9,347	(1,244)	8,103
As at 30 June 2023 (Unaudited)	782	696,772	193,569	304,635	(79,165)	16,094	22,931	(1,092,941)	62,677	38,760	101,437



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
OPERATING ACTIVITIES			
Cash generated from operations		21,985	12,524
Interest received		754	404
Income taxes paid		(4,032)	(2,989)
Net cash generated from operating activities		18,707	9,939
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	11	–	(29)
Proceeds from disposal of investment property		–	2,313
Proceeds from disposal of property, plant and equipment		–	91
Net cash generated from investing activities		–	2,375
FINANCING ACTIVITIES			
Advance from a director		170	–
Dividends paid to non-controlling interests		–	(1,244)
Issue of new shares upon placing	19	7,820	4,246
Payment for transaction costs attributed to issue of shares upon placing	19	(309)	(127)
Repayment for lease liabilities	12	(380)	(672)
Redemption of convertible bonds	18	(20,391)	(37,711)
Redemption of promissory notes	17	(8,416)	–
Interest paid on promissory notes	17	(183)	–
Net cash used in financing activities		(21,689)	(35,508)
Net decrease in cash and cash equivalents		(2,982)	(23,194)
Cash and cash equivalents at beginning of the period		93,183	105,158
Effect of foreign exchange rate changes, net		(1,951)	(3,461)
Cash and cash equivalents at end of the period		88,250	78,503
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		88,250	78,503

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 Interim 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and 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 Interim 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 Interim Financial Statements are presented in Hong Kong dollars ("HK\$"), which is same as the functional currency of the Company, and rounded to the nearest thousand unless otherwise indicated.

The Interim 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 2023, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group's audited financial statements for the year ended 31 December 2023 (the "Annual Report").



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

2.1 *Basis of Preparation (Continued)*

The preparation of Interim Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. The estimates and associated assumptions are based on historical experience and various other factors 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 Interim 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 Interim 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 interpretations issued by the HKICPA that are first effective from the current accounting periods beginning on 1 January 2024.

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 Interim 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 Interim 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.

The Group's revenue are derived from the PRC and Hong Kong during the six months ended 30 June 2024 and 30 June 2023.

3. SEGMENT INFORMATION *(Continued)*

The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Hong Kong	800	–
The PRC	5,168	21,466
	5,968	21,466

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue		
Revenue from other sources		
Interest income from loans to customers	5,168	21,466
Revenue from contracts with customers within HKFRS15		
Financial consultancy income (Note)	800	–
	5,968	21,466
Other income and other gains and losses, net		
Exchange difference, net	(250)	(355)
Bank interest income	754	404
Gain on disposal of property, plant and equipment	–	50
Loss on disposal of investment property	–	(339)
Gain on early redemption of convertible bonds (Note 18)	3,099	4,714
Gain on early termination of a lease	30	–
Gain on early redemption of promissory notes (Note 17)	91	–
Sundry income	96	11
	3,820	4,485

Note: The revenue from contracts with customers within HKFRS 15 for financial consultancy income generated by the Group was recognised over time during the Interim Period.



5. FAIR VALUE LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair value loss on financial assets at FVTPL represents the change in fair value of the investment in the listed equity securities in the Main Board of the Exchange based on closing price in an active market.

6. FINANCE COSTS

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Effective interest expenses on		
– Convertible bonds	4,321	8,546
– Promissory notes	269	–
– Lease liabilities	53	85
	4,643	8,631

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Staff costs (excluding directors' emoluments)		
Salaries, allowances and other benefits	5,867	7,081
Pension scheme contributions	446	662
	6,313	7,743
Auditors' remuneration	569	552
Depreciation of property, plant and equipment	125	164
Depreciation of right-of-use assets	543	739
Short-term or low value lease payments	75	421

8. INCOME TAX EXPENSES

The amount of income tax expenses in the unaudited condensed consolidated income statement represents:

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current income tax		
The PRC		
Current tax charge for the period	836	3,807
Under-provision in respect of prior periods	44	190
	880	3,997
Withholding tax on dividends	1,629	–
Deferred tax charged	918	1,863
Income tax expenses	3,427	5,860

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 Interim Period, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong (2023: 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% (2023: 25%).

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 periods ended 30 June 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 Interim Period, the part of taxable income that is not in excess of RMB1 million is reduced to 25% (2023: 25%) of original total taxable income, and the applicable EIT rate is 20% (2023: 20%). Additionally, the part of taxable income that is between RMB1 million and RMB3 million is reduced to 25% (2023: 25%) of original total taxable income, and the applicable EIT rate is 20% (2023: 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%).



9. DIVIDEND

The Directors do not recommend for payment of a dividend for the Interim Period (2023: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculations of basic (loss)/earnings per share for the current period and prior period are based on the (loss)/profit 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 calculations of diluted (loss)/earnings per share for the current period and prior period are based on the (loss)/profit 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 six months ended 30 June 2024 and 30 June 2023, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic (loss)/earnings per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted (loss)/earnings per share. Therefore, the basic and diluted (loss)/earnings per share for the six months ended 30 June 2024 and 30 June 2023 are equal.

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit		
(Loss)/Profit attributable to the owners of the Company, used in basic (loss)/earnings per share calculation	(12,030)	2,822
Adjustment of (loss)/profit attributable to the owners of the Company:		
Interest saving of the convertible bonds	—*	—*
(Loss)/Profit attributable to the owners of the Company, used in the diluted (loss)/earnings per share calculation	(12,030)	2,822

10. (LOSS)/EARNINGS PER SHARE *(Continued)*

	Six months ended 30 June	
	2024 (Unaudited) '000	2023 (Unaudited) '000
Shares		
Weighted average number of ordinary shares for basic (loss)/earnings per share calculation (Notes a and b)	40,733	66,568
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	_*	_*
Weighted average number of ordinary shares for diluted (loss)/earnings per share calculation (Notes a and b)	40,733	66,568

Notes:

- (a) the weighted average number of ordinary shares of 40,733,333 for the six months ended 30 June 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 (Note 19(e)) completed on 14 March 2024.
- (b) the weighted average number of ordinary shares of 66,567,594 for the six months ended 30 June 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 (Note 18) into 100,000,000 new ordinary shares and 5,000,000 new ordinary shares of the Company on 31 January 2023 and 13 April 2023, respectively; (ii) the Share Consolidation under Capital Reorganisation (Note 19(a)) with effect on 23 February 2023; and (iii) placing of shares under general mandate (Note 19(d)) completed on 24 May 2023.

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



11. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group had not incurred any expenditures on property, plant and equipment (2023: approximately HK\$29,000). During the Interim Period, no property, plant and equipment were disposed (2023: approximately HK\$42,000).

12. RIGHT-OF-USE ASSETS

The Group obtains right to control the use of various office premises and staff quarters for its daily operation for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 16 years (as at 31 December 2023: 2 to 16 years). Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes.

During the Interim Period, the Group has no additions to right-of-use assets (2023: Nil).

During the Interim Period, the total cash outflow for leases was approximately HK\$455,000, including prepayment for short-term leases of approximately HK\$75,000 (2023: total cash outflow for leases was approximately HK\$1,093,000 including prepayment for short-term leases of approximately HK\$421,000).

As at 30 June 2024, the weighted average effective interest rate for the lease liabilities of the Group was 3.63% per annum (as at 31 December 2023: 3.25%).

13. INVESTMENT PROPERTIES

	Period from 1 January 2024 to 30 June 2024 (Unaudited) HK\$'000	Year ended 31 December 2023 (Audited) HK\$'000
At the beginning of the reporting period	2,269	5,240
Disposal	-	(2,652)
Changes in fair value	-	(277)
Exchange realignments	(57)	(42)
At the end of the reporting period	2,212	2,269

The Group's entire property interests were held under leases to earn rental income or for capital appreciation which were measured using fair value model and were classified and accounted for as investment properties. The Group's investment properties were located in the PRC.

14. REPOSSESSED ASSETS

During the year ended 31 December 2023, the Group obtained an asset by taking possession of collaterals held as security in relation to a loan to a borrower. The nature and carrying value of the asset held as at the end of the reporting period are summarised as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Reposessed property – residential property in Beijing	918	942

The estimated market value of the reposessed asset held by the Group as at 30 June 2024 was approximately HK\$918,000 (as at 31 December 2023: approximately HK\$954,000). It comprises property in respect of which the Group has acquired access or control through court proceeding. The Group will proceed to dispose of the property within a reasonable time after possession, which is not expected to be within 12 months from the end of reporting period.

15. LOANS TO CUSTOMERS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Principal and interest receivables:		
Pawn loans	83,150	108,306
Micro-credit loans	69,208	85,292
Distressed debt assets	5,697	5,841
Loans to customers, gross	158,055	199,439
Less: Loss allowance	15(b) (103,320)	(109,606)
Loans to customers, net	54,735	89,833

The loans to customers are arising from the Group's pawn loans, micro-credit loans and distressed debt assets management. They represented loan principal and interest receivables from pawn loans, micro-credit loans and distressed debt assets. The customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods granted to customers are mainly ranging from one month to one year.

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.



15. LOANS TO CUSTOMERS (Continued)

(a) Credit Quality Analysis

Based on the requirements of HKFRS 9, credit quality analysis of loans to customers before loss allowance for ECL as at the end of reporting period, is as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Neither overdue nor credit-impaired	39,537	82,603
Overdue but not credit-impaired		
– overdue within 30 days	2,428	2,713
– overdue 30 to 90 days	4,758	7,688
Overdue and credit-impaired		
– overdue more than 90 days	111,332	106,435
	158,055	199,439

The Group has adopted the ECL model as required by HKFRS 9 since 1 January 2018 in assessing and measuring the loss allowance for the Group's loans to customers. As described in the above table, the management categorised the loans into mainly 3 categories: (a) neither overdue nor credit-impaired, (b) overdue but not credit-impaired and (c) overdue and credit-impaired. The management considered a number of factors in determining whether the loans are credit-impaired and concluded that, based on the Group's past experience in loan financing business and relevant forward looking information available to the Group, loans with more than 90 days past due are considered as credit-impaired.

The Group considers the past default experience of the debtor, general economic conditions of the industry in which the debtors operate, the value of collateral and an assessment of both the current as well as the forecast directions of conditions as at the reporting date.

The management reviews the individual outstanding loans at least semi-annually or more regularly when individual circumstances required. Collectively assessment on loss allowance for loans to customers are provided for portfolios of loans to customers with homogeneous collateral type while individually assessment on loss allowance for loans to customers are determined by an evaluation of the incurred loss on a case-by-case basis.

15. LOANS TO CUSTOMERS (Continued)

(b) Movement of loss allowance for ECL on loans to customers under HKFRS 9:

	Period from 1 January 2024 to 30 June 2024 (Unaudited) HK\$'000	Year ended 31 December 2023 (Audited) HK\$'000
At the beginning of the reporting period	109,606	109,964
Charged to profit or loss	2,460	2,607
Disposal	(6,132)	–
Exchange realignments	(2,614)	(2,965)
	<hr/>	<hr/>
At the end of the reporting period	103,320	109,606

Specifically, in estimating the amount of ECL, the management uses various approaches taking into account (i) aging of the Group's loans to customers based on the categories as described above and (ii) the difference between the effective interest rate charged by the Group to the borrowers, which in the opinion of the management, reflects the market borrowing rate of the respective borrowers and the rate that the Group would charge to borrowers with low credit risk, which the management believes that the difference best reflects the Group's exposure credit risk. The Group also takes into account forward-looking information, e.g. the industry and business environment, etc. The Group has recognised loss allowance for ECL, representing approximately 65.4% (as at 31 December 2023: approximately 55.0%) of the gross carrying amount, against all loans to customers as at 30 June 2024.

The Group's loss allowance for ECL on loans to customers may also take into account the subsequent settlement, certain collateral valuation and the management's judgement on the marketability of the collateral properties and customers' capability of payment.

16. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand.



17. PROMISSORY NOTES

	Period from 1 January 2024 to 30 June 2024 (Unaudited) HK\$'000	Year ended 31 December 2023 (Audited) HK\$'000
At the beginning of the reporting period	13,660	–
Issued during the period/year	–	13,639
Early redemption	(8,507)	–
Payment of interest	(183)	–
Effective interest expenses	269	21
	5,239	13,660
Carrying value at the end of the reporting period	5,239	13,660
	5,234	13,650
Face value at the end of the reporting period	5,234	13,650

On 24 December 2023, the Company entered into an agreement with a holder of the New 2022 CB, pursuant to which the Company issued a 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. The promissory note is repayable in one year with an interest of 7% per annum payable semi-annually. The effective interest rate of the promissory note was determined to be approximately 7.21% per annum on 24 December 2023. The promissory note was classified under current liabilities and measured at amortised cost.

On 6 February 2024 and 17 April 2024, the Company has entered redemption agreements with a holder of promissory notes to early redeem promissory notes with aggregate principal amount of HK\$8,416,000 by cash settlement at consideration of HK\$8,416,000. Upon completion of the redemption, the remaining outstanding principal of promissory notes is HK\$5,234,000. The carrying values of the promissory notes redeemed were approximately HK\$8,507,000 and a gain on early redemption of approximately HK\$91,000 was recognised to profit or loss during the Interim Period.

18. CONVERTIBLE BONDS

As part of the acquisition consideration upon the completion of the Group's acquisition of Prima Finance Holdings Limited and Sunny Bridge Investments Limited and its subsidiaries in 2014, the Company had issued zero-coupon convertible bonds with the principal amount of HK\$420,200,000 ("2019 CB") as part of the Initial Consideration (as defined in Annual Report 2015) to Exuberant Global Limited, Bustling Capital Limited and Time Prestige Holdings Limited (collectively, the "Vendors") of Prima Finance Holdings Limited and Sunny Bridge Investments Limited and its subsidiaries. In 2015, the Company issued zero-coupon convertible bonds in the principal amount of HK\$236,000,000 ("2020 CB") to the Vendors.

On 13 April 2015, the holders of 2019 CB exercised his rights to convert the zero-coupon convertible bonds with the principal amount of HK\$33,000,000 into new ordinary shares of the Company.

On 9 January 2017, the holder of 2020 CB exercised his rights to convert the zero-coupon convertible bonds with the principal amount of HK\$42,000,000 into new ordinary shares of the Company.

18. CONVERTIBLE BONDS *(Continued)*

On 20 February 2019, the Company executed the amendment deeds, to extend the maturity date of the 2019 CB by 3 years from 24 June 2019 to 24 June 2022 ("**2022 CB**"), and the 2020 CB by 3 years from 5 February 2020 to 5 February 2023 ("**2023 CB**") (the "**Alteration**"). Save for the aforesaid Alteration, all other terms and conditions of the 2019 CB and the 2020 CB remain unchanged.

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has obtained the approval of the Alteration from the Exchange on 2 May 2019, which is subject to (i) shareholders' approval on the amendment deeds; and (ii) fulfillment of all other conditions of the amendment deeds.

The amendment deeds and transactions contemplated thereunder are considered to be connected transactions of the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As disclosed in the announcement of the Company dated 7 May 2019, the Company has obtained the approval from independent shareholders on the amendment deeds and transactions contemplated thereunder at the special general meeting held on 7 May 2019.

Details of the Alteration are set out in the Company's announcements dated 20 February 2019 and 7 May 2019, and the circular of the Company dated 30 March 2019.

The conversion price of the convertible bonds is adjusted from HK\$0.35 per ordinary share to HK\$1.75 per ordinary share after taking into account the effect of the share consolidation effective on 8 April 2020.

On 24 June 2022, the remaining 2022 CB became mature and was no longer convertible into shares of the Company. Therefore, 2022 CB in an aggregate principal amount of HK\$99,840,000 and accrued interest of approximately HK\$4,992,000 were reclassified as bond payables which included in "Accrued expenses, other payables and deposits received", and the remaining amount of convertible bonds reserve attributable to 2022 CB of approximately HK\$1,713,000 was transferred to accumulated losses.

On 21 July 2022, the Company issued 2 series of zero-coupon convertible bonds as all conditions precedent set out in each of the convertible bonds subscription agreements had been fulfilled, with respective principal amounts of HK\$99,840,000 due on 24 December 2023 ("**New 2022 CB**") and HK\$185,400,000 due on 5 August 2024 ("**New 2023 CB**"). The conversion price of each of New 2022 CB and New 2023 CB is HK\$0.05 per ordinary share. The New 2022 CB and New 2023 CB were issued to settle the outstanding principal amounts of 2022 CB and 2023 CB, respectively (together referred to the "**Setting Off**"). After the issuance of New 2022 CB and New 2023 CB, the contractual obligations associated with 2022 CB and 2023 CB were discharged. The Setting Off is based on the terms of 2022 CB and 2023 CB, which allows early repurchase by the Company and is essentially an early redemption of 2022 CB and 2023 CB and there is no alternation of the terms to 2022 CB and 2023 CB except for the new conversion price and maturity dates of New 2022 CB and New 2023 CB.

As the discounted present value of the cash flows under the new terms, including any fees paid and discounted using the original effective interest rate, was more than 10% different from the discounted present value of the remaining cash flows of the financial liability, the directors of the Company consider the Setting Off constituted a significant modification and was accounted for as an extinguishment of the bond payables and the liability component of 2023 CB and the recognition of new financial liabilities of New 2022 CB and New 2023 CB.



18. CONVERTIBLE BONDS *(Continued)*

The Group recognised a gain on extinguishment of bond payables and liability component of convertible bonds of approximately HK\$26,944,000 in profit or loss on 21 July 2022. As certain bond payables are entered with a shareholder of the Company, a deemed capital contribution of approximately HK\$13,006,000 was recognised in equity at the date of issuance of New 2022 CB.

The balance of the convertible bonds reserve for 2023 CB of approximately HK\$4,141,000 was transferred from the convertible bonds reserve to accumulated losses.

The recognition of New 2022 CB and New 2023 CB had accounted for approximately HK\$33,357,000 and approximately HK\$248,648,000 in the convertible bonds reserve and liability component of convertible bonds, respectively. The extinguishment of the bond payables (upon mature of 2022 CB) and 2023 CB resulted in the setting off of bond payables and liability component of 2023 CB of approximately HK\$104,832,000 and approximately HK\$183,766,000, respectively.

On 22 December 2022, part of the New 2022 CB at a conversion price of HK\$0.05 per share with principal amount of HK\$7,500,000 had been converted into 150,000,000 new ordinary shares of the Company.

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

The conversion price of New 2022 CB and New 2023 CB is adjusted from HK\$0.05 per ordinary share to HK\$1.00 per ordinary share after taking into account the effect of the Share Consolidation under Capital Reorganisation effective on 23 February 2023.

On 13 April 2023, part of the New 2022 CB at a conversion price of HK\$1 per share with principal amount of HK\$5,000,000 had been converted into 5,000,000 new ordinary shares of the Company.

During the year ended 31 December 2023, the Company has entered redemption agreements with several holders of New 2022 CB and New 2023 CB to early redeem the zero-coupon convertible bonds with principal amount of HK\$30,334,000 and HK\$37,962,000, respectively, by cash settlement of approximately HK\$65,540,000. 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 New 2022 CB and New 2023 CB at initial recognition. At the date of redemption, 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\$9,184,000, and the redemption prices allocated to the equity component of approximately HK\$7,869,000 were recognised in profit or loss and equity, respectively. Upon the redemption of New 2022 CB and New 2023 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed New 2022 CB and New 2023 CB of approximately HK\$313,000 was transferred from accumulated losses.

18. CONVERTIBLE BONDS (Continued)

On 24 December 2023, the New 2022 CB (which was matured on 24 December 2023) with outstanding principal amount of HK\$13,000,000 and redemption premium of HK\$650,000 were settled by issuing a promissory note with a principal amount of HK\$13,650,000. A gain on settlement, representing the difference between the fair value and the carrying amount of the promissory note, of approximately HK\$11,000 was recognised in profit or loss. The remaining amount of convertible bonds reserve attributable to New 2022 CB of approximately HK\$1,776,000 was transferred to accumulated losses.

On 17 November 2023, the Company and a holder of New 2023 CB entered into redemption agreement, to early redeem the zero-coupon convertible bonds with principal amount of HK\$21,240,000 by cash settlement of approximately HK\$20,391,000. Upon completion of the redemption on 23 January 2024 and 18 March 2024, the remaining outstanding principal of New 2023 CB is HK\$80,033,000. 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 New 2023 CB at initial recognition. At the date of redemption, 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\$3,099,000, and the redemption prices allocated to the equity component of approximately HK\$2,259,000 were recognised in profit or loss and equity, respectively. Upon the redemption of New 2023 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed New 2023 CB of HK\$31 was transferred to accumulated losses.

As at 30 June 2024, the Company had zero-coupon convertible bonds outstanding. Summary of the convertible bonds is as follows:

Series	Date of issue	Maturity date	Conversion price per share (Note)	Principal amount as at 1 January 2023 (Audited) (HK\$'000)	Amount converted into shares during the year (HK\$'000)	Amount redeemed during the year (HK\$'000)	Amount matured during the year (HK\$'000)	Outstanding		Outstanding principal amount as at 30 June 2024 (Unaudited) (HK\$'000)
								principal amount as at 31 December 2023 (Audited) (HK\$'000)	Amount redeemed during the Interim Period (HK\$'000)	
New 2022 CB	21 July 2022	24 December 2023	1.00	53,334	(10,000)	(30,334)	(13,000)	-	-	-
New 2023 CB	21 July 2022	5 August 2024	1.00	139,235	-	(37,962)	-	101,273	(21,240)	80,033
				192,569	(10,000)	(68,296)	(13,000)	101,273	(21,240)	80,033

Note: the conversion price of New 2022 CB and New 2023 CB is adjusted from HK\$0.05 per ordinary share to HK\$1.00 per ordinary share after taking into account the effect of the Share Consolidation under Capital Reorganisation effective on 23 February 2023.

The conversion option of the convertible bonds is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the total fair value amount of the convertible bonds at the date of issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group.

The liability component of the convertible bonds is carried as a current liability on the amortised cost basis until extinguished on conversion or redemption.



18. CONVERTIBLE BONDS (Continued)

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on New 2022 CB and New 2023 CB is calculated using effective interest rate ranging from 10.67% to 10.95% (year ended 31 December 2023: 10.67% to 10.95%) per annum.

The movements of above-mentioned convertible bonds were as follows:

	Period from 1 January 2024 to 30 June 2024 (Unaudited) HK\$'000	Year ended 31 December 2023 (Audited) HK\$'000
Equity component		
At the beginning of the reporting period	10,769	22,093
Redemption of New 2022 CB	–	(1,776)
Early redemption of New 2022 CB and New 2023 CB	(2,259)	(8,182)
Conversion of New 2022 CB	–	(1,366)
At the end of the reporting period	8,510	10,769
Liability component		
At the beginning of the reporting period	100,136	174,987
Redemption of New 2022 CB	–	(13,650)
Effective interest expenses of New 2022 CB and New 2023 CB	4,321	15,320
Early redemption of New 2022 CB and New 2023 CB	(21,231)	(66,855)
Conversion of New 2022 CB	–	(9,666)
At the end of the reporting period	83,226	100,136
Face value, at the end of the reporting period	80,033	101,273

The liability portion of convertible bonds was analysed as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current liabilities	83,226	100,136

19. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
As at 1 January 2023, ordinary shares of HK\$0.05 each		20,000,000	1,000,000
Decrease in number of authorised shares upon Share Consolidation	(a)(i)	(19,000,000)	–
Increase in number of authorised shares upon Share Sub-division	(a)(iii)	99,000,000	–
<hr/>			
As at 31 December 2023, 1 January 2024 and 30 June 2024, ordinary shares of HK\$0.01 each		100,000,000	1,000,000
<hr/>			
Issued and fully paid:			
As at 1 January 2023, ordinary shares of HK\$0.05 each		1,161,829	58,091
Shares issued upon conversion of convertible bonds before Capital Reorganisation (Note 18)	(b)	100,000	5,000
Decrease in number of shares upon Share Consolidation	(a)(i)	(1,198,738)	–
Decrease in share capital upon Capital Reduction	(a)(ii)	–	(62,460)
Shares issued upon conversion of convertible bonds after Capital Reorganisation (Note 18)	(c)	5,000	50
Issue of new shares upon placing	(d)	10,110	101
<hr/>			
As at 31 December 2023 and 1 January 2024, ordinary shares of HK\$0.01 each		78,201	782
Issue of new shares upon placing	(e)	15,640	156
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As at 30 June 2024, ordinary shares of HK\$0.01 each		93,841	938
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19. SHARE CAPITAL (Continued)

Notes:

- (a) On 19 December 2022, the Board proposes to implement the capital reorganisation (the “**Capital Reorganisation**”) involving:
- (i) every twenty (20) Existing Shares be consolidated into one (1) consolidated share (the “**Share Consolidation**”);
 - (ii) the issued share capital of the Company be reduced by cancelling paid up capital of the Company to the extent of HK\$0.99 on each of the then consolidated shares such that the par value of each issued consolidated share will be reduced from HK\$1.0 to HK\$0.01 (the “**Capital Reduction**”); and
 - (iii) each authorised but unissued consolidated share of HK\$1.00 (including the unissued shares arising from the Capital Reduction) be sub-divided into 100 new shares of HK\$0.01 each (the “**Share Sub-division**”).

On 21 February 2023, the proposed Capital Reorganisation was passed and approved as a special resolution by the shareholders of the Company at the special general meeting, the authorised share capital of the Company changed from HK\$1,000,000,000 divided into 20,000,000,000 ordinary shares of HK\$0.05 each to HK\$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK\$0.01 each while the shares in issue changed accordingly after the Capital Reorganisation which has become effective on 23 February 2023. All the credits of approximately HK\$62,460,000 arising from the capital reduction were transferred to the contributed surplus account of the Company.

- (b) On 31 January 2023, convertible bonds with principal amount of HK\$5,000,000 have been converted into 100,000,000 new ordinary shares (before Capital Reorganisation) of the Company at a conversion price of HK\$0.05 per share.
- (c) On 13 April 2023, convertible bonds with principal amount of HK\$5,000,000 have been converted into 5,000,000 new ordinary shares (after Capital Reorganisation) of the Company at a conversion price of HK\$1 per share.
- (d) On 5 May 2023, the Company and a placing agent entered into a placing agreement to subscribe for up to 10,110,000 ordinary shares at the placing price of HK\$0.42 per share. 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 6 May 2022. The 10,110,000 new ordinary shares, with par value of HK\$0.01 each, were placed to not less than six independent placees on 24 May 2023 with gross proceeds of approximately HK\$4,246,000. The amount of approximately HK\$4,018,000, which represented the premium on the issue of shares of approximately HK\$4,145,000, net of share issue expenses of approximately HK\$127,000, was credited to the Company’s share premium accounts.
- (e) On 28 February 2024, the Company and a placing agent entered into a placing agreement to subscribe for up to 15,640,000 ordinary shares at the placing price of HK\$0.5 per share. 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 28 June 2023. The 15,640,000 new ordinary shares, with par value of HK\$0.01 each, were placed to not less than six independent placees on 14 March 2024 with gross proceeds of approximately HK\$7,820,000. The amount of approximately HK\$7,355,000, which represented the premium on the issue of shares of approximately HK\$7,664,000, net of share issue expenses of approximately HK\$309,000, was credited to the Company’s share premium accounts.

20. OPERATING LEASE COMMITMENTS

As Lessee

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 years (as at 31 December 2023: 1 to 16 years). None of the leases includes contingent rentals.

As at 30 June 2024 and 31 December 2023, the Group did not have any material future minimum lease payments under non-cancellable operating leases falling due.

21. FAIR VALUE MEASUREMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

(a) *Financial instruments measured at fair value*

As at 31 December 2023, the financial instruments measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Fair value at 31 December 2023 HK\$'000	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000

Assets:

Listed equity investment at FVTPL	-	-	-	-
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During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



21. FAIR VALUE MEASUREMENTS (Continued)

(a) Financial instruments measured at fair value (Continued)

The movement in the fair value measurement in level 1 is as follows:

Listed investment:

	Year ended 31 December 2023 (Audited) HK\$'000
At the beginning of the reporting period	575
Fair value loss recognised in profit or loss	(190)
Disposal	(385)
	<hr/>
At the end of the reporting period	–

(b) Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised costs were not materially different from their fair values as at the end of the reporting period.

22. EVENT AFTER THE REPORTING PERIOD

On 5 August 2024, the New 2023 CB with an outstanding principal amount of HK\$80,033,000 and redemption premium of HK\$4,001,650 was matured on 5 August 2024. The Company repaid a partial principal amount of HK\$13,000,000 and the respective redemption premium of HK\$650,000 to a holder of the New 2023 CB upon maturity. The remaining outstanding principal amount of HK\$67,033,000 and redemption premium of HK\$3,351,650 were settled by issuance of promissory notes with a principal amount of HK\$70,384,650. A gain on settlement, representing the difference between the fair value and the carrying amount of the promissory notes, of approximately HK\$992,000 was recognised in profit or loss. The remaining amount of the convertible bonds reserve attributable to New 2023 CB of approximately HK\$8,510,000 was transferred to accumulated losses.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

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

The Group recorded total revenue for the Interim Period of approximately HK\$5,968,000 (2023: approximately HK\$21,466,000), representing a decrease of approximately HK\$15,498,000 as compared with the corresponding period last year, as a result of the unfavorable economic environment, the challenging industry landscape and the complex market competition conditions. This decrease was mainly attributable to the decrease in interest income from short-term financing services in the PRC during the Interim Period.

Other income and other gains and losses, net for the Interim Period was approximately HK\$3,820,000 (2023: approximately HK\$4,485,000), which represents a slightly decrease of approximately HK\$665,000 when compared with the corresponding period of 2023.

The administrative and other expenses for the Interim Period decreased by approximately HK\$2,658,000 to approximately HK\$12,464,000 (2023: approximately HK\$15,122,000). The decrease was mainly due to the decrease of the staff cost when compared to the corresponding period of 2023.

The Group recorded charge of loss allowance for ECL on loans to customers for the Interim Period of approximately HK\$2,460,000 (2023: reversal of loss allowance for ECL of approximately HK\$7,452,000), representing an increase in charge of loss allowance of approximately HK\$9,912,000 as compared with corresponding period of 2023. The increase in the charge of loss allowance for ECL for the Interim Period was mainly due to the deterioration of the customers' ageing and the decline of the expected recoverable value of collaterals and guarantees, which was mainly driven by the unfavorable economic environment, the challenging industry landscape and the complex market competition conditions.

The finance costs for the Interim Period decreased by approximately HK\$3,988,000 to approximately HK\$4,643,000 (2023: approximately HK\$8,631,000) was mainly due to partial redemption of convertible bonds made by the Group during the year ended 31 December 2023 and the Interim Period.

The loss attributable to the owners of the Company for the Interim Period was approximately HK\$12,030,000 (2023: profit attributable to the owners of the Company of approximately HK\$2,822,000). The loss for the Interim Period was mainly attributable to the combined effects of (i) decrease in total revenue; (ii) increase in charge of loss allowance for ECL on loans to customers; and (iii) decrease in finance costs as mentioned above.



PROSPECTS

Looking ahead, the global economic environment in 2024 is expected to be challenging and uncertain due to various factors such as geopolitical issues, conflicts in Europe and the Middle East, and the US presidential election. Furthermore, as the economies of the PRC and Hong Kong are still in the process of recovery from the pandemic, coupled with intense competition in the domestic financial market in the PRC, the operating environment for short-term financing in 2024 is expected to remain challenging. In such a volatile market environment, it is crucial for us to maintain quick and flexible lending strategy to leverage our advantages in the competitive landscape of short-term financing business. At the same time, we shall strive to enhance our market competitiveness, reduce customer acquisition costs, improve the level of industry informatization, strengthen risk control, expedite collection of existing loans, and explore new business channels and markets. These efforts will contribute to the sustained development of our business.

While continuing to focus on its existing short-term financing operations, the Group will also continue to explore new business opportunities and will actively seek appropriate potential merger and acquisition projects in the PRC and/or Hong Kong. It is contemplated that this strategic approach will broaden and diversify our sources of income, thereby increasing the Group's revenue and creating long-term sustainable value for our shareholders.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Interim Period, 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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had other debts comprising promissory notes and liability component of convertible bonds of approximately HK\$88,465,000 (as at 31 December 2023: 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 30 June 2024, the Group had cash and cash equivalents of approximately HK\$88,250,000 (as at 31 December 2023: approximately HK\$93,183,000) which are mainly denominated in HK\$ and RMB. To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally cash flows generated from operations and external fund raising activities from the capital market.

As at 30 June 2024, the gearing ratio for the Group was approximately 2.1 (as at 31 December 2023: approximately 2.2), calculated based on the total financial liabilities of approximately HK\$88,465,000 (as at 31 December 2023: approximately HK\$113,796,000) over shareholder's equity of approximately HK\$41,173,000 (as at 31 December 2023: approximately HK\$51,136,000). The debt ratio was approximately 0.56 (as at 31 December 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 shareholders, issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group during the Interim Period is summarised as follows:

(i) *Bank Borrowings*

There was no bank borrowings outstanding as at 30 June 2024 and 31 December 2023.

(ii) *Promissory Notes*

During the Interim Period, the Company had a promissory note issued for the settlement of the matured New 2022 CB (the definition and its details are set out in Note 18 to the unaudited condensed consolidated financial statements). Summary of the promissory notes is as follows. Further details are set out in Note 17 to the unaudited condensed consolidated financial statements.

Date of issue	Principal amount as at	Interest rate per annum	Principal repayment due date (Note)	Redeemed principal amount (HK\$)	Outstanding principal amount as at
	1 January 2024 (HK\$)				30 June 2024 (HK\$)
24 December 2023	13,650,000	7%	23 December 2024	(8,416,000)	5,234,000

Note: On 24 December 2023, the Company entered into an agreement with the New 2022 CB holder, pursuant to which the Company issued a 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.

(iii) *Convertible Bonds*

As at 30 June 2024, the Company had zero-coupon convertible bonds, New 2023 CB (the definition and its details are set out in Note 18 to the unaudited condensed consolidated financial statements). Summary of the convertible bonds 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 Interim Period (HK\$)	Outstanding principal amount as at	Number of shares to be issued upon full conversion
					30 June 2024 (HK\$)	as at 30 June 2024
21 July 2022	101,273,000	5 August 2024	1.0	(21,240,000)	80,033,000	80,033,000



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 announcements 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 on 28 February 2024 was approximately HK\$7,511,000. As at 30 June 2024, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds HK\$'000	Actual use of net proceeds as at 30 June 2024 HK\$'000	Unutilised net proceeds up to the date of this report HK\$'000
Settlement of outstanding short-term liabilities of the Company	7,511	7,511	–

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 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.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 June 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 30 June 2024, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

CHARGE OF GROUP ASSETS

As at 30 June 2024 and 31 December 2023, the Group did not have any assets under charge.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2024, the Group employed a total of 43 employees (as at 31 December 2023: 39). 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-ended bonus 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 its employees. Staff costs, excluding Directors' emoluments, for the Interim Period amounted to approximately HK\$6,313,000 (30 June 2023: approximately HK\$7,743,000).

The Company has a share option scheme in place, please refer to the paragraph headed "Share Option Scheme" in this report for further details.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liability (31 December 2023: Nil).

EVENT AFTER REPORTING PERIOD

Maturity of New 2023 CB and Issuance of Promissory Notes

The New 2023 CB with outstanding principal amount of HK\$80,033,000 and redemption premium of HK\$4,001,650 was matured on 5 August 2024. The Company partially repaid the principal amount of HK\$13,000,000 and the respective redemption premium of HK\$650,000 upon maturity. The remaining outstanding principal amount of HK\$67,033,000 and redemption premium of HK\$3,351,650 were settled by issuance of promissory notes with principal amount of HK\$70,384,650 to the holders of the New 2023 CB.



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

As at 30 June 2024, 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 ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Zhang Wei	Beneficial owner	6,268,896	6.68
Ms. Li Wei	Beneficial owner	3,532,640	3.76
Mr. Mang Sheung Lok	Beneficial owner	13,000,000	13.85

Note: The percentage represents the number of shares interested divided by the number of the issued shares as at 30 June 2024 (i.e. 93,841,461 shares).

Save for disclosed above, as at 30 June 2024, 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 Company and the Exchange pursuant to the Model Code (as defined below).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Interim 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 Interim 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 30 June 2024, the following companies and persons (other than a director or chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above) had interests in more than 5% of the Company's issued share capital:

Long Positions in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share of the Company (Note 2)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	73,633,000	–	73,633,000	78.46
Mr. Dai Di (Note 1)	–	73,633,000	73,633,000	78.46
Mr. Chu Chun Kit	7,871,500	–	7,871,500	8.38

Notes:

1. The 73,633,000 shares held by Exuberant Global Limited ("**Exuberant Global**") represent 73,633,000 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 73,633,000 shares held by Exuberant Global.
2. The percentage represents the number of shares interested divided by the number of the issued shares as at 30 June 2024 (i.e. 93,841,461 shares).

Save as disclosed above, the Directors are not aware of any other person (other than the Directors and chief executives of the Company) who, as at 30 June 2024, had an interest or a short position in the shares, underlying shares or debentures 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.



SHARE OPTION SCHEME

The Company's share option scheme (the **"Share Option Scheme"**) was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 June 2024 (the **"Adoption Date"**) for the purpose of providing incentives or rewards to the eligible participants as to recognise and motivate the contribution and potential future contribution by providing them the opportunity to acquire equity interests in the Company. The Share Option Scheme will remain in force for a period of ten years commencing from the Adoption Date. Accordingly, the Share Option Scheme will expire on 17 June 2034.

Eligible participants of the Share Option Scheme include Directors, non-executive officers including independent non-executive Directors, employees of the Group, related entity participants and service providers who provide services to any member of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group.

There is no outstanding options or unvested awards at the beginning and at the end of the Interim Period. No option was granted, vested, lapsed, cancelled or exercised during the Interim Period.

As at 1 January 2024 and 30 June 2024, the total number of options available for grant under the scheme mandate limit and available for issue under the Share Option Scheme were 0 and 9,384,146 respectively. As at 1 January 2024 and 30 June 2024, the total number of options available for grant under the service provider sublimit and available for issue under the Share Option Scheme were 0 and 938,414 respectively.

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 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 Interim Period.

CHANGES IN DIRECTORS' INFORMATION

Subsequent to the date of the annual report for the year ended 31 December 2023 of the Company, the changes in the Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

Name of Director(s)	Details of Changes
Mr. Chan Ngai Fan	Appointed as the independent non-executive director of Central Wealth Group Holdings Limited, (stock code: 139), a company listed on Main Board of the Exchange, with effect from 22 July 2024.

INTERESTS IN A COMPETING BUSINESS

During the Interim 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 Interim Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. Throughout the Interim Period, the Company has complied with all the code provisions set out in Appendix C1 Corporate Governance Code of the GEM Listing Rules.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the Interim 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
Mang Sheung Lok
Chairman and Executive Director

Hong Kong, 23 August 2024

As at the date of this report, the executive Directors are Mr. Mang Sheung Lok, Mr. Zhang Wei and Ms. Li Wei; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Chan Ngai Fan and Ms. Cheung Yin Man Monica.

This report 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>.