

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)

INTERIM REPORT
2020

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

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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 and six months (the “Interim Period”) ended 30 June 2020 together with the comparative figures in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	4	12,342	16,483	22,061	29,965
Other income and other gains and losses, net	4	480	260	937	960
Administrative and other expenses		(7,468)	(9,880)	(16,747)	(18,221)
Reversal/(Charge) of loss allowance for expected credit losses (“ECLs”) on loans to customers	14(b)	3,811	(10,865)	(13,119)	(8,524)
Finance costs	5	(12,802)	(12,206)	(25,553)	(24,732)
Fair value gains on investment properties	12	–	933	–	933
Loss before income tax	6	(3,637)	(15,275)	(32,421)	(19,619)
Income tax expenses	7	(3,178)	(490)	(765)	(2,640)
Loss for the period		(6,815)	(15,765)	(33,186)	(22,259)
Attributable to:					
Owners of the Company		(7,103)	(16,862)	(34,233)	(25,696)
Non-controlling interests		288	1,097	1,047	3,437
		(6,815)	(15,765)	(33,186)	(22,259)
			(Restated)		(Restated)
Loss per share attributable to owners of the Company	9				
– Basic and diluted (Hong Kong cents)		(2.53)	(6.48)	(12.42)	(9.87)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the period	(6,815)	(15,765)	(33,186)	(22,259)
Other comprehensive income/(expense) for the period				
<i>Item that will be reclassified to profit or loss:</i>				
– Exchange differences on translation of financial statements of foreign operations	1,303	(14,322)	(10,209)	(1,468)
Total other comprehensive income/(expense) for the period, net of tax	1,303	(14,322)	(10,209)	(1,468)
Total comprehensive income/(expense) for the period	(5,512)	(30,087)	(43,395)	(23,727)
Attributable to:				
Owners of the Company	(5,951)	(30,730)	(43,506)	(27,157)
Non-controlling interests	439	643	111	3,430
	(5,512)	(30,087)	(43,395)	(23,727)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	1,593	746
Right-of-use assets	11	5,686	7,377
Investment properties	12	7,957	8,112
Equity investment at fair value through other comprehensive income	13	4,757	4,850
Deferred tax assets		28,524	25,759
Total non-current assets		48,517	46,844
Current assets			
Loans to customers	14	242,742	289,399
Prepayments, deposits and other receivables	15	1,345	1,156
Cash and cash equivalents		220,017	238,076
Total current assets		464,104	528,631
Current liabilities			
Accrued expenses, other payables and deposits received		6,512	13,445
Tax payable		1,633	3,542
Dividend payable to non-controlling interests		536	–
Amount due to a shareholder	16	2,974	474
Promissory notes	17	5,020	20,279
Lease liabilities		1,367	1,584
Total current liabilities		18,042	39,324
Net current assets		446,062	489,307
Total assets less current liabilities		494,579	536,151
Non-current liabilities			
Convertible bonds – liability component	18	456,740	461,025
Lease liabilities		3,670	4,139
Total non-current liabilities		460,410	465,164
Net assets		34,169	70,987
Capital and reserves			
Issued capital	19	14,064	13,012
Reserves		(26,594)	8,355
Equity attributable to owners of the Company		(12,530)	21,367
Non-controlling interests		46,699	49,620
Total equity		34,169	70,987

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Reserves									Equity attributable to owners of the Company	Non-controlling interests	Total
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve (debit)	Convertible bonds reserve	FVTOCI reserve	Statutory reserve	Accumulated losses			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'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	-	-	-	-	-	-	-	-	(34,233)	(34,233)	1,047	(33,186)
Other comprehensive expense												
Item that will be reclassified to profit or loss												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(9,273)	-	-	-	-	(9,273)	(936)	(10,209)
Total other comprehensive expense for the period	-	-	-	-	(9,273)	-	-	-	-	(9,273)	(936)	(10,209)
Total comprehensive (expense)/ income for the period	-	-	-	-	(9,273)	-	-	-	(34,233)	(43,506)	111	(43,395)
Transactions with owners												
Issue of new shares upon placing	1,052	8,557	-	-	-	-	-	-	-	9,609	-	9,609
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,032)	(3,032)
Redemption of 2022 CB (As defined in Note 18) by cash	-	-	-	-	-	(581)	-	-	581	-	-	-
Transactions with owners	1,052	8,557	-	-	-	(581)	-	-	581	9,609	(3,032)	6,577
As at 30 June 2020 (Unaudited)	14,064	625,385	131,109	280,749	(94,398)	10,397	(3,079)	25,563	(1,002,320)	(12,530)	46,699	34,169

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2019

	Reserves									Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve (debit) HK\$'000	Convertible bonds reserve HK\$'000	FVTOCI reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000			
As at 31 December 2018												
as originally presented	13,012	616,828	131,109	120,794	(75,051)	713,306	(1,093)	22,367	(1,630,751)	(89,479)	12,402	(77,077)
Initial adoption of HKFRS 16 (Note)	-	-	-	-	-	-	-	-	(200)	(200)	(5)	(205)
Restated as at 1 January 2019	13,012	616,828	131,109	120,794	(75,051)	713,306	(1,093)	22,367	(1,630,951)	(89,679)	12,397	(77,282)
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(25,696)	(25,696)	3,437	(22,259)
Other comprehensive expense												
Item that will be reclassified to profit or loss												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(1,461)	-	-	-	-	(1,461)	(7)	(1,468)
Other comprehensive expense for the period	-	-	-	-	(1,461)	-	-	-	-	(1,461)	(7)	(1,468)
Total comprehensive (expense)/income for the period	-	-	-	-	(1,461)	-	-	-	(25,696)	(27,157)	3,430	(23,727)
Transactions with owners												
Deemed capital contribution arising from liability portion of convertible bonds	-	-	-	159,955	-	-	-	-	-	159,955	-	159,955
Extinguishment of the 2019 CB and 2020 CB (As defined in Note 18)	-	-	-	-	-	(713,306)	-	-	713,306	-	-	-
Recognition of the 2022 CB and 2023 CB (As defined in Note 18)	-	-	-	-	-	10,978	-	-	(10,978)	-	-	-
Transactions with owners	-	-	-	159,955	-	(702,328)	-	-	702,328	159,955	-	159,955
As at 30 June 2019 (Unaudited)	13,012	616,828	131,109	280,749	(76,512)	10,978	(1,093)	22,367	(954,319)	43,119	15,827	58,946

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
OPERATING ACTIVITIES			
Cash generated from/(used in) operations		28,226	(24,070)
Interest received		985	749
Income taxes paid		(5,814)	(8,399)
Interest paid		-	(125)
Net cash generated from/(used in) operating activities		23,397	(31,845)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		9	92
Purchases of property, plant and equipment	10	(1,069)	(40)
Net cash (used in)/generated from investing activities		(1,060)	52
FINANCING ACTIVITIES			
Advance from/(repayment to) a shareholder		2,500	(25)
Dividends paid to non-controlling interests		(2,492)	-
Interests on promissory notes	17	(1,200)	(1,600)
Proceeds from issue of new shares, net of issue costs		9,609	-
Repayment for lease liabilities	11	(647)	(1,493)
Repayment of principal of promissory notes	17	(15,000)	-
Repayment of principal of convertible bonds	18	(28,780)	-
Net cash used in financing activities		(36,010)	(3,118)
Net decrease in cash and cash equivalents		(13,673)	(34,911)
Cash and cash equivalents at beginning of the period		238,076	193,406
Effect of foreign exchange rate changes, net		(4,386)	421
Cash and cash equivalents at end of the period		220,017	158,916
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		220,017	158,916

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in provision of short-term financing services in the People’s Republic of China (the “**PRC**”) and Hong Kong (“**Short-term Financing Services**”).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the three and six months ended 30 June 2020 (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 and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Exchange (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 2019, 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 2019 (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 of the Company 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 2020.

Other than as described in Note 2.3 regarding "Amendment to HKFRS 16 COVID-19 – Related Rent Concessions", 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 of the Company are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but not yet in a position to reasonably estimate their impact on the Group's Interim Financial Statements.

2.3 *Amendment to HKFRS 16: COVID-19 – Related Rent Concessions*

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due to or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual reporting periods beginning on or after 1 June 2020 with earlier application permitted. The Group has early adopted the amendment for the current accounting periods beginning on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the Interim Period. Accordingly, a reduction in lease payments arising from the rent concessions is accounted for as a variable lease payment.

3. SEGMENT INFORMATION

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

Executive Directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in the Short-term Financing Services, which is the basis to allocate resources and assets performance. As this is the only operating segment of the Group no further analysis for segment information is presented.

In determining the Group's geographical segments, revenues and results are based on the location in which the customer is located.

All the Group's revenue are derived from PRC during the six months ended 30 June 2020 and 30 June 2019.

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

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue				
Revenue from other sources				
Interest income from loans to customers	10,222	16,410	19,925	29,873
Settlement gain from distressed debt assets classified in loans to customers	1,093	-	1,093	-
	11,315	16,410	21,018	29,873
Revenue from contracts with customers within HKFRS 15				
Financial consultancy income	1,027	73	1,043	92
Short-term financing services income	12,342	16,483	22,061	29,965
Other income and other gains and losses, net				
Exchange difference, net	21	(244)	(165)	(8)
Bank interest income	563	367	985	749
(Loss)/Gain on disposal of property, plant and equipment	(5)	(36)	(5)	41
Gain on modification of terms of promissory note (Note 17)	-	-	215	-
Rental income from investment property	6	6	12	7
Settlement loss on early redemption of convertible bonds (Note 18)	(186)	-	(186)	-
Sundry income	81	167	81	171
	480	260	937	960

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest expenses on				
– Convertible bonds	12,151	11,714	24,309	23,725
– Promissory notes	610	431	1,156	882
– Lease liabilities	41	61	88	125
	12,802	12,206	25,553	24,732

6. LOSS BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff Costs (excluding Directors' emoluments)				
Salaries, allowance and other benefits	2,828	3,366	6,417	6,797
Pension scheme contributions	266	479	570	981
Auditor's remuneration	284	357	532	562
Depreciation of property, plant and equipment	111	141	190	285
Depreciation of right-of-use assets				
– land and buildings	799	813	1,608	1,635
Variable lease payment income	(71)	–	(71)	–

7. INCOME TAX EXPENSES

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

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current income tax				
PRC				
Current tax charge for the period	1,787	2,638	2,916	4,565
Under/(Over)-provision in respect of prior periods	438	204	(3)	204
	2,225	2,842	2,913	4,769
Withholding tax on dividends	-	1,136	1,132	1,136
Deferred tax charged/(credited)	953	(3,488)	(3,280)	(3,265)
Income tax expenses	3,178	490	765	2,640

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

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

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

The subsidiaries of the Group established in the PRC save for below are subject to enterprise income tax ("EIT") of the PRC at 25% (2019: 25%). Pursuant to the relevant laws and implementation rules announced by the People's Government of the Tibet Autonomous Region, Lhasa Jiade Financial Consultant Company Limited ("Lhasa"), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the Interim Period (2019: 15%). According to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises issued by Ministry of Finance and the State Administration of Taxation, the taxable income in period ended 30 June 2020 of certain subsidiaries of the Group established in the PRC, is expected to be less than RMB3 million, which satisfies the provisions of the notice above. During the Interim Period, the part of taxable income that is not in excess of RMB1 million is reduced to 25% of original total taxable income, and the applicable EIT rate is 20%. Additionally, the part of taxable income that is between RMB1 million and RMB3 million is reduced to 50% of original total taxable income, and the applicable EIT rate is 20%.

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

8. DIVIDEND

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

9. LOSS PER SHARE

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

The calculations of diluted loss per share for the current and prior periods are based on the loss for the periods attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the current and prior periods 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 and six months ended 30 June 2020 and the three and six months ended 30 June 2019, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore, the basic and diluted loss per share for the three and six months ended 30 June 2020 and the three and six months ended 30 June 2019 are equal.

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

	Three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to the owners of the Company, used in basic loss per share calculation	(7,103)	(16,862)
Adjustment of loss attributable to the owners of the Company:		
Interest saving of the convertible bonds	—*	—*
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	(7,103)	(16,862)

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

9. LOSS PER SHARE *(Continued)*

	Three months ended 30 June	
	2020 (Unaudited) '000	2019 (Unaudited) '000 (Restated)

Share

Weighted average number of ordinary shares for basic loss per share calculation (Notes a and b)	281,276	260,224
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	—*	—*
Weighted average number of ordinary shares for diluted loss per share calculation (Notes a and b)	281,276	260,224

Notes:

- (a) The weighted average number of ordinary shares of 281,276,411 for the Interim Period is derived from 1,301,118,056 in issue as at 1 January 2020 after taking into account the effects of (i) placing of shares under general mandate completed on 17 February 2020; and (ii) the share consolidation with effect on 8 April 2020.
- (b) The weighted average number of ordinary shares of 260,223,611 for the three months ended 30 June 2019 is derived from 1,301,118,056 in issue as at 1 January 2019 after taking into account the effect of the share consolidation with effect on 8 April 2020.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000

Loss

Loss attributable to the owners of the Company, used in basic loss per share calculation	(34,233)	(25,696)
Adjustment of loss attributable to the owners of the Company:		
Interest saving of the convertible bonds	—*	—*
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	(34,233)	(25,696)

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

9. LOSS PER SHARE *(Continued)*

	Six months ended 30 June	
	2020 (Unaudited) '000	2019 (Unaudited) '000 (Restated)
Share		
Weighted average number of ordinary shares for basic loss per share calculation (Notes a and b)	275,724	260,224
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	_*	_*
Weighted average number of ordinary shares for diluted loss per share calculation (Notes a and b)	275,724	260,224

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

Notes:

- (a) The weighted average number of ordinary shares of 275,724,024 for the Interim Period is derived from 1,301,118,056 in issue as at 1 January 2020 after taking into account the effects of (i) placing of shares under general mandate completed on 17 February 2020; and (ii) the share consolidation with effect on 8 April 2020.
- (b) The weighted average number of ordinary shares of 260,223,611 for the six months ended 30 June 2019 is derived from 1,301,118,056 in issue as at 1 January 2019 after taking into account the effect of the share consolidation with effect on 8 April 2020.

10. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$1,069,000 (2019: approximately HK\$40,000). The Group has written off and disposed of property, plant and equipment of approximately HK\$14,000 (2019: approximately HK\$50,000) during the Interim Period.

11. RIGHT-OF-USE ASSETS

The Group obtains right to control the use of various land and buildings 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 3 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, no additions to the right-of-use assets were recorded (2019: Nil).

During the Interim Period, the total cash outflows for leases was approximately HK\$647,000 (2019: approximately HK\$1,493,000).

12. INVESTMENT PROPERTIES

	Period from 1 January 2020 to 30 June 2020 (Unaudited) HK\$'000	Year ended 31 December 2019 (Audited) HK\$'000
At the beginning of the reporting period	8,112	–
Transfer from repossessed assets	–	5,135
Changes in fair value	–	3,108
Exchange realignments	(155)	(131)
	<hr/>	<hr/>
At the end of the reporting period	7,957	8,112

The Group's entire property interests were held under leases to earn rentals 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. During the year ended 31 December 2019, the residential properties in Beijing have been transferred from repossessed assets to investment properties and the fair value gains upon transfer of approximately HK\$3,097,000 were recognised in profit or loss.

13. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The equity investment at fair value through other comprehensive income (“FVTOCI”) is an unlisted equity investment that represented 7% equity interest of 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited*) (“Shenyang Hulian”), a private entity incorporated in the PRC, which is principally engaged in the provision of micro-financing services business. The Group designated its investment in Shenyang Hulian at FVTOCI (non-recycling), as the investment is held for long-term strategic purpose. No dividends were received on this investment during the Interim Period (2019: Nil).

14. LOANS TO CUSTOMERS

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Note		
Principal and interest receivable:			
Pawn loans		207,768	245,810
Micro-credit loans		97,303	99,233
Entrusted loans		12,824	12,784
Distressed debt assets		38,736	34,397
<hr/>			
Loans to customers, gross		356,631	392,224
Less: Loss allowance	14(b)	(113,889)	(102,825)
<hr/>			
Loans to customers, net		242,742	289,399
<hr/>			

* English name is for identification purpose only.

14. LOANS TO CUSTOMERS (Continued)

The loans to customers are arising from the Group's pawn loans, micro-credit loans and entrusted loans services and distressed debt assets management. They represented loan principal and interest receivables from pawn loans, micro-credit loans, entrusted 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 ECLs.

(a) Credit Quality Analysis

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Neither overdue nor credit-impaired	109,537	180,738
Overdue but not credit-impaired		
– overdue within 30 days	34,513	39,160
– overdue 30 to 90 days	46,983	36,833
Overdue and credit-impaired		
– overdue more than 90 days	165,598	135,493
	356,631	392,224

In assessing and measuring the loss allowance for the Group's loans to customers. As described in the above table, the management of the Company 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 of the Company 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 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.

14. LOANS TO CUSTOMERS (Continued)

(b) Movement of loss allowances for ECLs on loans to customers under HKFRS 9:

	Period from 1 January 2020 to 30 June 2020 (Unaudited) HK\$'000	Year ended 31 December 2019 (Audited) HK\$'000
At the beginning of the reporting period	102,825	107,788
Charged/(Credited) to profit or loss	13,119	(3,010)
Exchange realignments	(2,055)	(1,953)
	<hr/>	<hr/>
At the end of the reporting period	113,889	102,825

Specifically, in estimating the amount of ECL, the management of the Company 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 of the Company, 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 of the Company believes that the difference best reflects the Group's exposure credit risk. The Group also takes into account forward-looking information, e.g. the applicable GDP growth and industry and business environment, etc. The Group has recognised allowance for ECLs, representing approximately 31.9% (as at 31 December 2019: approximately 26.2%) of the gross carrying amount, against all loans to customers as at 30 June 2020.

The Group's allowance for ECLs on loan 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.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Prepayments	411	335
Deposits	408	408
Other receivables	526	413
	<hr/>	<hr/>
	1,345	1,156

16. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

17. PROMISSORY NOTES

	Period from 1 January 2020 to 30 June 2020 (Unaudited) HK\$'000	Year ended 31 December 2019 (Audited) HK\$'000
At the beginning of the reporting period	20,279	20,098
Effective interest expenses	1,156	1,781
Interest payments	(1,200)	(1,600)
Gain on modification of terms	(215)	-
Redemption	(15,000)	-
Carrying value at the end of the reporting period	5,020	20,279
Face value, at the end of the reporting period	5,000	20,000

On 5 February 2020 and 21 February 2020, the Company redeemed the promissory notes with principal amount of HK\$15,000,000 and settled accrued interests of HK\$1,200,000 by cash settlement.

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 with principal amount of HK\$5,000,000, 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 of HK\$215,000 was recognised in profit or loss for the modification.

As at 30 June 2020, the promissory note bore interest of 8% per annum and would be matured on 6 February 2021. The effective interest rate of the promissory note was determined to be approximately 12.84% (year ended 31 December 2019: 9.01%) per annum. The promissory note was classified under current liabilities (as at 31 December 2019: current liabilities) and measured at amortised cost.

18. CONVERTIBLE BONDS

As part of the acquisition consideration upon the completion of the Group's acquisition of the Prima Finance Group 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, Busting Capital Limited and Time Prestige Holdings Limited (collectively, the "**Vendors**") of the Prima Finance Group. 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 in 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.

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.

On 21 May 2020, the Company and the holder of 2022 CB entered into a redemption agreement, to early redeem the zero-coupon convertible bonds with principal amount of HK\$33,858,000 by cash settlement of approximately HK\$28,780,000. As at the settlement date, the carrying amount of the liability component of the redeemed 2022 CB was approximately HK\$28,594,000 and hence a settlement loss on early redemption of convertible bonds of approximately HK\$186,000 was recognised in profit or loss for the Interim Period.

Save for disclosed above, there was no conversion or redemption of the convertible bonds during the six months ended 30 June 2020 and the year ended 31 December 2019 or subsequent to the end of the reporting period.

18. CONVERTIBLE BONDS (Continued)

As at 30 June 2020, the Company has 2 series of zero-coupon convertible bonds outstanding. Summary of the convertible bonds is as follows:

Series	Date of issue	Maturity date	Conversion price per share	Principal amount as at 1 January 2019 (Audited) HK\$'000	Amount converted into shares during the year HK\$'000	Outstanding principal amount as at 31 December 2019 (Audited) HK\$'000	Amount converted into shares during the Interim Period HK\$'000	Amount redeemed during the Interim Period HK\$'000	Outstanding principal amount as at 30 June 2020 (Unaudited) HK\$'000
2022 CB	25 June 2014	24 June 2022	HK\$1.75	387,200	-	387,200	-	(33,858)	353,342
2023 CB	6 February 2015	5 February 2023	HK\$1.75	194,000	-	194,000	-	-	194,000

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 and non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the 2019 CB and 2020 CB is calculated using effective interest rate ranging from 8.72% to 8.87% per annum for the year ended 31 December 2019.

The Alteration constituted a significant modification and was accounted for as an extinguishment of the 2019 CB and 2020 CB and the recognition of the 2022 CB and 2023 CB. In light of the terms of the 2022 CB and 2023 CB set out above, the Company reassessed, as at the date of the Alteration, the fair values of the 2022 CB and 2023 CB. The net effect on liability component of the Alteration is a deemed capital contribution of HK\$159,955,000 recognised in equity while the net effect on equity component of the Alteration is a gain of HK\$702,328,000 transfer from convertible bonds reserve to accumulated losses.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the 2022 CB and 2023 CB is calculated using effective interest rate ranging from 10.96% to 11.09% (year ended 31 December 2019: 10.96% to 11.09%) per annum.

18. CONVERTIBLE BONDS (Continued)

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

	Period from 1 January 2020 to 30 June 2020 (Unaudited) HK\$'000	Year ended 31 December 2019 (Audited) HK\$'000
Equity component		
At the beginning of the reporting period	10,978	713,306
Extinguishment of the 2019 CB and 2020 CB	–	(713,306)
Recognition of the 2022 CB and 2023 CB	–	10,978
Early redemption of 2022 CB	(581)	–
At the end of the reporting period	10,397	10,978
Liability component		
At the beginning of the reporting period	461,025	573,617
Deemed capital contribution	–	(159,955)
Effective interest expenses before the Alteration	–	17,021
Effective interest expenses of the 2022 CB and 2023 CB	24,309	30,342
Early redemption of 2022 CB	(28,594)	–
At the end of the reporting period	456,740	461,025
Face value, at the end of the reporting period	547,342	581,200

The liability portion of convertible bonds was analysed as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current liabilities	–	–
Non-current liabilities	456,740	461,025
	456,740	461,025

19. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
As at 1 January 2019 and 31 December 2019, ordinary shares of HK\$0.01 each			
		10,000,000	100,000
Share consolidation	(a)	(8,000,000)	–
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As at 30 June 2020, ordinary shares of HK\$0.05 each			
		2,000,000	100,000
<hr/>			
Issued and fully paid:			
As at 1 January 2019 and 31 December 2019, ordinary shares of HK\$0.01 each			
		1,301,118	13,012
Placing of shares under general mandate	(b)	105,264	1,052
Share consolidation	(a)	(1,125,106)	–
<hr/>			
As at 30 June 2020, ordinary shares of HK\$0.05 each			
		281,276	14,064

Notes:

- (a) Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 6 April 2020, every five (5) issued and unissued shares of HK\$0.01 each would be consolidated into one (1) consolidated share of HK\$0.05 each and became effective on 8 April 2020.
- (b) On 30 January 2020, the Company and a placing agent entered into a placing agreement to subscribe 105,264,000 ordinary shares at the placing price of HK\$0.095 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 23 May 2019. The 105,264,000 new shares, with par value of HK\$0.01 each, were placed to not less than six independent places on 17 February 2020. The premium on the issue of shares of approximately HK\$8,948,000, net of share issue expenses of approximately HK\$391,000, 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 3 to 16 years. None of the leases includes contingent rentals.

As at 30 June 2020, the Group did not have any future minimum lease payments under non-cancellable operating leases falling due.

As Lessor

The Group leases out investment property under operating leases, with lease negotiated for term of 2.5 years. None of the leases includes contingent rentals.

The Group had total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within one year	26	27
In the second to fifth years, inclusive	5	19
	31	46

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

21. FAIR VALUE MEASUREMENTS (Continued)

(a) Financial instruments measured at fair value

As at the end of the reporting period, 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	Fair value measurements as at		
	30 June 2020 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000

Assets:

Unlisted equity investment	4,757	-	-	4,757
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	Fair value at	Fair value measurements as at		
	31 December 2019 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000

Assets:

Unlisted equity investment	4,850	-	-	4,850
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During the Interim Period, 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.

The movement in the fair value measurement in level 3 are as follows:

Unlisted equity investment:

	Period from 1 January 2020 to 30 June 2020 (Unaudited) HK\$'000	Year ended 31 December 2019 (Audited) HK\$'000
At the beginning of the reporting period	4,850	6,934
Net unrealised losses recognised in other comprehensive income during the reporting period	-	(1,986)
Exchange realignments	(93)	(98)
At the end of the reporting period	4,757	4,850

The movements in the investment properties under Level 3 fair value measurements during the Interim Period are presented in Note 12. Fair value adjustment on investment properties is recognised in the line item "fair value gains on investment properties" on the face of the unaudited condensed consolidated statement of profit or loss.

(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.

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 Hong Kong dollars (“**HK\$**”) 22,061,000 (2019: approximately HK\$29,965,000), representing a decrease of approximately HK\$7,904,000 as compared with the corresponding period last year.

The administrative and other expenses for the Interim Period has decreased by approximately HK\$1,474,000 to approximately HK\$16,747,000 (2019: approximately HK\$18,221,000).

The Group recorded a charge of loss allowance for ECLs for the Interim Period of approximately HK\$13,119,000 (2019: approximately HK\$8,524,000), which represents an increase of approximately HK\$4,595,000 when compared to the corresponding period in 2019. Due to uncertain operating environment caused by the COVID-19 pandemic, the Group will continue to adopt a cautious credit and risk management approach through closely monitoring the creditworthiness of customers, including but not limited to strict control on loan-to-value ratio, continuous review on customers’ repayment ability, etc., to minimise the credit risk uncertainty.

The loss attributable to the owners of the Company for the Interim Period was approximately HK\$34,233,000 (2019: loss attributable to the owners of the Company of approximately HK\$25,696,000). The increase in loss was mainly due to the decrease in revenue and the increase in the charge of loss allowance for ECLs on loans to customers as a result of the unfavorable economic environment and the extreme market and operating conditions caused by COVID-19 pandemic.

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.

FUND RAISING ACTIVITIES

Placing of New Shares under General Mandate

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

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

PROSPECTS

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had other debts comprising promissory notes and liability component of convertible bonds of approximately HK\$461,760,000 (as at 31 December 2019: approximately HK\$481,304,000). 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 2020, the Group had cash and cash equivalents of approximately HK\$220,017,000 (as at 31 December 2019: approximately HK\$238,076,000) 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 generated cash flows from operations.

As at 30 June 2020, the gearing ratio for the Group was approximately negative 36.9 due to the Group's negative equity position (as at 31 December 2019: approximately positive 22.5), calculated based on the total debts (comprising other debts) of approximately HK\$461,760,000 (as at 31 December 2019: approximately HK\$481,304,000) over shareholder's equity of approximately negative HK\$12,530,000 (as at 31 December 2019: approximately positive HK\$21,367,000). The debt ratio was approximately 0.93 (as at 31 December 2019: approximately 0.88), 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 2020 and 31 December 2019.

(ii) Promissory Notes

As at 30 June 2020, the Company had outstanding promissory notes in the principal amount of HK\$5,000,000 issued on 6 February 2015. 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 1 January 2020 (HK\$)	Interest rate per annum	Principal repayment due date	Redeemed principal amount (HK\$)	Outstanding principal amount as at 30 June 2020 (HK\$)
6 February 2015	20,000,000	8%	6 February 2021	(15,000,000)	5,000,000

(iii) Convertible Bonds

As at 30 June 2020, the Company had 2 series of zero-coupon convertible bonds, 2022 CB and 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 2020 (HK\$)	Maturity Date	Conversion Price per share	Amount converted into shares during the Interim Period (HK\$)	Amount redeemed during the Interim Period (HK\$)	Outstanding principal amount as at 30 June 2020 (HK\$)	Number of Shares to be issued upon full conversion as at 30 June 2020
25 June 2014	387,200,000	24 June 2022	HK\$1.75	-	(33,858,000)	353,342,000	201,909,714
6 February 2015	194,000,000	5 February 2023	HK\$1.75	-	-	194,000,000	110,857,142

(iv) Share Consolidation and Change in Board Lot Size

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

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

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 2020, 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 2020, the Group does 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 2020, 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 2020 and 31 December 2019, the Group did not have any assets under charged.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 69 employees (as at 31 December 2019: 75). 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\$6,987,000 (30 June 2019: approximately HK\$7,778,000).

The Company adopted the Share Option Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the Share Option Scheme during the Interim Period.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liability (31 December 2019: Nil).

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

Long Positions in the Shares

Name of Director	Capacity	Number of ordinary shares ("Shares") held	Approximate percentage of shareholding in the Company
Mr. Zhang Wei	Beneficial owner	22,752,640	8.09
Ms. Li Wei	Beneficial owner	14,587,600	5.19

Save for disclosed above, as at 30 June 2020, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to 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 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 2020, 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 shares:

Long Position in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company (Note 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	257,566,857	–	257,566,857	91.57
Mr. Dai Di (Note 1)	–	257,566,857	257,566,857	91.57
Time Prestige Holdings Limited (Note 2)	32,228,571	–	32,228,571	11.45
Mr. Dai Hao (Notes 2 and 3)	–	112,799,999	112,799,999	40.10
Bustling Capital Limited (Note 3)	80,571,428	–	80,571,428	28.64
Ms. Jin Yu (Notes 2 and 3)	–	112,799,999	112,799,999	40.10
Silver Palm Limited (Note 4)	14,285,714	–	14,285,714	5.08
Mr. Zhang Xiaoman (Note 4)	–	14,285,714	14,285,714	5.08

Notes:

- The 257,566,857 Shares held by Exuberant Global Limited ("**Exuberant Global**") represent (i) 58,840,000 Shares; and (ii) 198,726,857 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 257,566,857 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.
- Silver Palm Limited ("**Silver Palm**") is wholly and beneficially owned by Mr. Zhang Xiaoman ("**Mr. Zhang**"). Accordingly, Mr. Zhang is deemed to be interested in the 14,285,714 Shares held by Silver Palm.
- The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 June 2020 (i.e. 281,276,411 Shares).

Save as disclosed above, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who, as at 30 June 2020, 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 2 August 2012 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

Eligible participants of the Share Option Scheme include Directors, non-executive officers including independent non-executive Directors, employees of the Group, customers of the Group, consultants, advisors, managers, officers or entities that provide research, development or other technological support to the Group.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the Interim Period. As at 30 June 2020, there was no outstanding share option under the Share Option Scheme.

As at the date of this report, a maximum of 26,022,361 shares, representing approximately 9.25% of the existing issued share capital of the Company, are available for issuance under the Share Option Scheme.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by the Directors on terms no less exacting than the Rules 5.48 to 5.67 (the "**Model Code**") of the GEM Listing Rules. The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the Interim Period.

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 15 Corporate Governance Code and Corporate Governance Report (the “CG Code”) of the GEM Listing Rules with the exception of the following deviation:

CODE PROVISION A.2.1

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

Mr. Zhang Wei was appointed as chairman and chief executive officer of the Company (the “CEO”) on 1 December 2015. Given the size and that the Company’s and the Group’s current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the chairman and the CEO if the situation warrants it.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

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
Zhang Wei
Chairman and Executive Director

Hong Kong, 12 August 2020

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

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