

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

**Capital Finance Holdings Limited**

**首都金融控股有限公司**

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8239)

The background features a complex abstract graphic design. It consists of several overlapping, semi-transparent geometric shapes, primarily triangles and circles, in various shades of blue and green. The shapes are arranged in a way that creates a sense of depth and movement, with some elements appearing to be in the foreground and others receding into the background. The overall effect is a modern, tech-oriented aesthetic. The text 'INTERIM REPORT 2021' is overlaid on this graphic, with '2021' being significantly larger and bolder than the other words.

INTERIM REPORT  
**2021**

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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

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

The board of Directors (the “**Board**”) of the Company is pleased to report the unaudited condensed consolidated 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 2021 together with the unaudited comparative figures for the corresponding periods in 2020, as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	4	16,829	12,342	25,987	22,061
Other income and other gains and losses, net	4	1,233	480	2,356	937
Administrative and other expenses		(10,401)	(7,468)	(19,513)	(16,747)
Reversal/(Charge) of loss allowance for expected credit losses (“ECLs”) on loans to customers	16(b)	13,737	3,811	10,602	(13,119)
Share of loss of a joint venture		(140)	–	(140)	–
Finance costs	5	(9,707)	(12,802)	(20,808)	(25,553)
<b>Profit/(Loss) before income tax</b>	6	<b>11,551</b>	<b>(3,637)</b>	<b>(1,516)</b>	<b>(32,421)</b>
Income tax expenses	7	(7,516)	(3,178)	(7,716)	(765)
<b>Profit/(Loss) for the period</b>		<b>4,035</b>	<b>(6,815)</b>	<b>(9,232)</b>	<b>(33,186)</b>
<b>Attributable to:</b>					
Owners of the Company		3,891	(7,103)	(9,833)	(34,233)
Non-controlling interests		144	288	601	1,047
		<b>4,035</b>	<b>(6,815)</b>	<b>(9,232)</b>	<b>(33,186)</b>
			(Restated)		(Restated)
<b>Earnings/(Loss) per share attributable to owners of the Company</b>	9				
– Basic and diluted (Hong Kong cents)		0.46	(2.45)	(1.60)	(12.05)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Profit/(Loss) for the period	4,035	(6,815)	(9,232)	(33,186)
Other comprehensive income/(expense) for the period				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translation of financial statements of foreign operations	6,107	1,303	5,967	(10,209)
Other comprehensive income/(expense) for the period, net of tax	6,107	1,303	5,967	(10,209)
Total comprehensive income/(expense) for the period	10,142	(5,512)	(3,265)	(43,395)
Attributable to:				
Owners of the Company	9,330	(5,951)	(4,506)	(43,506)
Non-controlling interests	812	439	1,241	111
	10,142	(5,512)	(3,265)	(43,395)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	1,988	2,164
Right-of-use assets	11	6,674	5,700
Investment properties	12	6,851	6,759
Intangible assets		–	–
Goodwill		–	–
Investment in a joint venture	13	6,001	–
Equity investment at fair value through other comprehensive income ("FVTOCI")	14	5,482	5,409
Deferred tax assets		32,627	34,811
		<b>59,623</b>	<b>54,843</b>
<b>Current assets</b>			
Reposessed assets		–	2,253
Financial assets at fair value through profit or loss ("FVTPL")	15	16,372	16,864
Loans to customers	16	280,834	254,062
Prepayments, deposits and other receivables		1,624	3,535
Cash and cash equivalents		106,306	139,193
		<b>405,136</b>	<b>415,907</b>
<b>Current liabilities</b>			
Accrued expenses, other payables and deposits received		7,571	9,251
Tax payable		2,667	1,094
Dividend payable to non-controlling interests		588	580
Promissory notes	17	–	5,334
Convertible bonds – liability component	18	181,038	–
Lease liabilities		1,824	1,408
		<b>193,688</b>	<b>17,667</b>
<b>Net current assets</b>		<b>211,448</b>	<b>398,240</b>
<b>Total assets less current liabilities</b>		<b>271,071</b>	<b>453,083</b>
<b>Non-current liabilities</b>			
Convertible bonds – liability component	18	172,094	422,921
Lease liabilities		4,792	4,143
		<b>176,886</b>	<b>427,064</b>
<b>Net assets</b>		<b>94,185</b>	<b>26,019</b>
<b>Capital and reserves</b>			
Issued capital	19	42,191	14,064
Reserves		3,746	(35,052)
Equity attributable to owners of the Company		<b>45,937</b>	<b>(20,988)</b>
Non-controlling interests		<b>48,248</b>	<b>47,007</b>
<b>Total equity</b>		<b>94,185</b>	<b>26,019</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Reserves									Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds		Statutory reserve	Accumulated losses			
						reserve	reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2021 (Audited)	14,064	625,385	131,109	282,885	(61,632)	9,282	(2,831)	26,838	(1,046,088)	(20,988)	47,007	26,019
Loss for the period	-	-	-	-	-	-	-	-	(9,833)	(9,833)	601	(9,232)
<b>Other comprehensive income</b>												
Item that may be reclassified subsequently to profit or loss:												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	5,327	-	-	-	-	5,327	640	5,967
Other comprehensive income for the period	-	-	-	-	5,327	-	-	-	-	5,327	640	5,967
Total comprehensive expense for the period	-	-	-	-	5,327	-	-	-	(9,833)	(4,506)	1,241	(3,265)
<b>Transactions with owners</b>												
Issue of new shares under rights issue	28,127	43,955	-	-	-	-	-	-	-	72,082	-	72,082
Deemed capital contribution arising from liability portion of convertible bonds	-	-	-	1,361	-	-	-	-	-	1,361	-	1,361
Redemption of 2022 CB (As defined in Note 18) by cash	-	-	-	-	-	(1,670)	-	-	(342)	(2,012)	-	(2,012)
Transactions with owners	28,127	43,955	-	1,361	-	(1,670)	-	-	(342)	71,431	-	71,431
As at 30 June 2021 (Unaudited)	42,191	669,340	131,109	284,246	(56,305)	7,612	(2,831)	26,838	(1,056,263)	45,937	48,248	94,185

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

For the six months ended 30 June 2020

	Reserves									Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Convertible bonds reserve	FVTOCI reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020 (Audited)	13,012	616,828	131,109	280,749	(85,125)	10,978	(3,079)	25,563	(968,668)	21,367	49,620	70,987
Loss for the period	-	-	-	-	-	-	-	-	(34,233)	(34,233)	1,047	(33,186)
<b>Other comprehensive expense</b>												
Item that may be reclassified subsequently to profit or loss:												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(9,273)	-	-	-	-	(9,273)	(936)	(10,209)
Other comprehensive expense for the period	-	-	-	-	(9,273)	-	-	-	-	(9,273)	(936)	(10,209)
Total comprehensive expense for the period	-	-	-	-	(9,273)	-	-	-	(34,233)	(43,506)	111	(43,395)
<b>Transactions with owners</b>												
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 CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operations		(1,682)	28,226
Interest received		1,324	985
Income taxes paid		(3,522)	(5,814)
<b>Net cash (used in)/generated from operating activities</b>		<b>(3,880)</b>	<b>23,397</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of a joint venture	13	(6,017)	–
Advance to a joint venture		(132)	–
Proceeds from disposal of property, plant and equipment		–	9
Proceeds from redemption of financial assets at FVTPL		719	–
Purchases of property, plant and equipment	10	(74)	(1,069)
<b>Net cash used in investing activities</b>		<b>(5,504)</b>	<b>(1,060)</b>
<b>FINANCING ACTIVITIES</b>			
Advance from a shareholder		–	2,500
Dividends paid to non-controlling interests		–	(2,492)
Interests on promissory notes	17	(443)	(1,200)
Net proceeds from issue of new shares upon placing	19(b)	–	9,609
Net proceeds from issue of new shares upon rights issue	19(c)	72,082	–
Repayment for lease liabilities	11	(907)	(647)
Repayment of promissory notes	17	(5,000)	(15,000)
Repayment of convertible bonds	18	(90,899)	(28,780)
<b>Net cash used in financing activities</b>		<b>(25,167)</b>	<b>(36,010)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(34,551)</b>	<b>(13,673)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>139,193</b>	<b>238,076</b>
<b>Effect of foreign exchange rate changes, net</b>		<b>1,664</b>	<b>(4,386)</b>
<b>Cash and cash equivalents at end of the period</b>		<b>106,306</b>	<b>220,017</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		106,306	220,017

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 June 2021

## 1. GENERAL INFORMATION

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

During the 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 three months and six months ended 30 June 2021 (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 2020, 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 2020 (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 initial adoption of HKAS 28 "Investments in Associates and Joint Ventures", details of which are described in Note 2.3, and 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 2021.

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

At the date of authorisation of the 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.

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

### 2.3 HKAS 28: Investments in Associates and Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in a joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

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

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

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

All the Group's revenue are derived from the PRC during the three months and six months ended 30 June 2021 and 30 June 2020, being the single geographical region.

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Revenue</b>				
<b>Revenue from other sources</b>				
Interest income from loans to customers	16,829	10,222	25,874	19,925
Settlement gain from distressed debt assets classified in loans to customers	-	1,093	113	1,093
	<b>16,829</b>	<b>11,315</b>	<b>25,987</b>	<b>21,018</b>
<b>Revenue from contracts with customers within HKFRS 15</b>				
Financial consultancy income	-	1,027	-	1,043
Short-term financing services income	16,829	12,342	25,987	22,061
<b>Other income and other gains and losses, net</b>				
Exchange difference, net	129	21	124	(165)
Bank interest income	858	563	1,324	985
Loss on disposal of property, plant and equipment	-	(5)	-	(5)
Investment income	26	-	26	-
Gain on modification of terms of promissory note (Note 17)	-	-	-	215
Rental income from investment properties	35	6	42	12
Settlement (loss)/gain on early redemption of convertible bonds (Note 18)	-	(186)	126	(186)
Sundry income	185	81	714	81
	<b>1,233</b>	<b>480</b>	<b>2,356</b>	<b>937</b>

## 5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest expenses on				
– Convertible bonds	9,644	12,151	20,585	24,309
– Promissory notes	–	610	109	1,156
– Lease liabilities	63	41	114	88
	9,707	12,802	20,808	25,553

## 6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff Costs (excluding Directors' emoluments)				
Salaries, allowance and other benefits	3,300	2,828	6,837	6,417
Pension scheme contributions	428	266	846	570
Auditor's remuneration	223	284	448	532
Depreciation of property, plant and equipment	140	111	282	190
Depreciation of right-of-use assets	443	799	885	1,608
Repossessed assets written off	2,278	–	2,278	–
Short-term or low value lease payments	439	–	876	–

## 7. INCOME TAX EXPENSES

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current income tax</b>				
The PRC				
Current tax charge for the period	2,995	1,787	3,976	2,916
Under/(Over)-provision in respect of prior periods	195	438	198	(3)
	3,190	2,225	4,174	2,913
<b>Withholding tax on dividends</b>	892	–	892	1,132
<b>Deferred tax charged/(credited)</b>	3,434	953	2,650	(3,280)
<b>Income tax expenses</b>	<b>7,516</b>	<b>3,178</b>	<b>7,716</b>	<b>765</b>

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 profit arising in Hong Kong (2020: Nil).

The subsidiaries of the Group established in the PRC, save for below, are subject to enterprise income tax (“EIT”) of the PRC at 25% (2020: 25%). Pursuant to the relevant laws and implementation rules announced by the People’s Government of the Tibet Autonomous Region, 拉薩嘉德財務顧問有限公司 (Lhasa Jiade Financial Consultant Company Limited\*), a subsidiary of the Group established in Tibet of the PRC is subject to the EIT at 15% for the Interim Period (2020: 15%). According to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises issued by Ministry of Finance and the State Administration of Taxation, the taxable income in period ended 30 June 2021 and 2020 of certain subsidiaries of the Group established in the PRC were less than RMB3 million, which satisfies the provisions of the notice above. During the 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%.

\* English name is for identification purpose only

## 7. INCOME TAX EXPENSES (Continued)

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%. Pursuant to Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "Arrangement") and Guoshihan (2009) No. 81, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. During the Interim Period, as a subsidiary of the Group received approval from in-charge tax authority, the applicable withholding tax rate is reduced to 5% (2020: 10%).

## 8. DIVIDEND

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

## 9. EARNINGS/(LOSS) PER SHARE

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

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

For the three months and six months ended 30 June 2021, as the Company's outstanding convertible bonds had an anti-dilutive (2020: anti-dilutive) effect to the basic earnings/(loss) per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted earnings/(loss) per share. Therefore, the basic and diluted earnings/(loss) per share for the three months and six months ended 30 June 2021 are equal (2020: equal).

## 9. EARNINGS/(LOSS) PER SHARE (Continued)

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

	Three months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit/(Loss)</b>		
Profit/(Loss) attributable to the owners of the Company, used in basic earnings/(loss) per share calculation	3,891	(7,103)
Adjustment of profit/(loss) attributable to the owners of the Company:		
Interest saving of the convertible bonds	—*	—*
Profit/(Loss) attributable to the owners of the Company, used in the diluted earnings/(loss) per share calculation	3,891	(7,103)

	Three months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	'000	'000
		(Restated)
Weighted average number of ordinary shares for basic earnings/(loss) per share calculation (Notes a and b)	843,829	289,715
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	—*	—*
Weighted average number of ordinary shares for diluted earnings/(loss) per share calculation (Notes a and b)	843,829	289,715

### Share

Weighted average number of ordinary shares for basic earnings/(loss) per share calculation (Notes a and b)	843,829	289,715
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	—*	—*
Weighted average number of ordinary shares for diluted earnings/(loss) per share calculation (Notes a and b)	843,829	289,715

### Notes:

- (a) The weighted average number of ordinary shares of 843,829,233 for the three months ended 30 June 2021 is derived from 281,276,411 shares in issue as at 1 January 2021 and after taking into account of the effect of the respective adjustment in relation to the rights issue which became unconditional and completed as announced on 15 March 2021.
- (b) The weighted average number of ordinary shares of 289,714,704 for the three months ended 30 June 2020 is derived from 1,301,118,056 shares in issue as at 1 January 2020 and after taking into account of the effect of (i) placing of shares under general mandate completed on 17 February 2020; (ii) the share consolidation with effect on 8 April 2020; and (iii) the respective adjustment in relation to the rights issue which became unconditional and completed as announced on 15 March 2021.

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

## 9. EARNINGS/(LOSS) PER SHARE (Continued)

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Loss</b>		
Loss attributable to the owners of the Company, used in basic loss per share calculation	<b>(9,833)</b>	(34,233)
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	<b>(9,833)</b>	(34,233)

	Six months ended 30 June	
	2021 (Unaudited) '000	2020 (Unaudited) '000 (Restated)
<b>Share</b>		
Weighted average number of ordinary shares for basic loss per share calculation (Notes a and b)	<b>614,224</b>	283,996
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)	<b>614,224</b>	283,996

### Notes:

- (a) The weighted average number of ordinary shares of 614,223,765 for the six months ended 30 June 2021 is derived from 281,276,411 shares in issue as at 1 January 2021 and after taking into account of the effect of the respective adjustment in relation to the rights issue which became unconditional and completed as announced on 15 March 2021.
- (b) The weighted average number of ordinary shares of 283,995,745 for the six months ended 30 June 2020 is derived from 1,301,118,056 shares in issue as at 1 January 2020 and after taking into account of the effect of (i) placing of shares under general mandate completed on 17 February 2020; (ii) the share consolidation with effect on 8 April 2020; and (iii) the respective adjustment in relation to the rights issue which became unconditional and completed as announced on 15 March 2021.

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

## 10. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$74,000 (2020: approximately HK\$1,069,000). During the Interim Period, no property, plant and equipment were written off and disposed (2020: approximately HK\$14,000).

## 11. 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 1 to 16 years (as at 31 December 2020: 1 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 recorded additions to right-of-use assets of approximately HK\$1,802,000 (2020: Nil).

During the Interim Period, the total cash outflows for leases was approximately HK\$907,000 (2020: approximately HK\$647,000).

As at 30 June 2021, the weighted average effective interest rate for the lease liabilities of the Group was 3.83% per annum (as at 31 December 2020: 3.03%).

### ***COVID-19-related rent concessions***

During the three months and six months ended 30 June 2020, the Group was entitled a 30% reduction of monthly lease payments for the period of three months from April 2020 to June 2020 in respect of a lease in Hong Kong. There was no substantive change to other terms and conditions of the leases.

The amount recognised in profit or loss during the three months and six months ended 30 June 2020 to reflect changes in lease payments that arise from rent concessions is approximately HK\$71,000.

## 12. INVESTMENT PROPERTIES

	Period from 1 January 2021 to 30 June 2021 (Unaudited) HK\$'000	Year ended 31 December 2020 (Audited) HK\$'000
At the beginning of the reporting period	6,759	8,112
Disposals	–	(1,979)
Changes in fair value	–	225
Exchange realignments	92	401
	<hr/>	<hr/>
At the end of the reporting period	6,851	6,759

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.

## 13. INVESTMENT IN A JOINT VENTURE

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>Unlisted shares, at cost</b>		
Share of net assets	5,691	–
Goodwill	178	–
Amount due from a joint venture	132	–
	<hr/>	<hr/>
	6,001	–

On 14 May 2021, an indirectly wholly-owned subsidiary of the Company has entered into an equity transfer agreement with an independent third party for acquisition of 25% equity interest in 宣威瑞草生物科技有限公司 (Xuan Wei Rui Cao Biological Technology Company Limited\*, "Xuan Wei"). The aggregate cash consideration is RMB5,000,001 (equivalent to approximately HK\$6,017,001) which would be satisfied by cash of RMB1 and cash capital injection of RMB5,000,000. The acquisition was completed on 14 May 2021.

Pursuant to the equity transfer agreement, the Group and the independent third parties exercise joint control over Xuan Wei because unanimous consent from all joint venture partners is required to make decisions in the board of directors. Therefore, Xuan Wei is classified as a joint venture.

\* English name is for identification purpose only

### 13. INVESTMENT IN A JOINT VENTURE (Continued)

Details of the joint venture at the end of the reporting period are as follows:

Name of joint venture	Principal place of business and place of incorporation	Class of shares held	Proportion of value of registered capital held by the Company	Principal activities
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**Indirectly held:**

Xuan Wei	The PRC	Registered capital of RMB20,000,000	25%	Recycling of tobacco wastes
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The joint venture is accounted for using the equity method in the consolidated financial statements.

As at 30 June 2021, the Group had no unrecognised commitments relating to its investment in a joint venture.

As at 30 June 2021, there was no contingent liabilities incurred by the Group in relation to its investment in a joint venture.

### 14. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The equity investment at 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 (2020: Nil).

### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at FVTPL are (i) an unlisted investment in non-principal guaranteed trust fund (the “**Trust Fund**”) placed with a financial institution in the PRC; and (ii) an unlisted equity investment that represented 0.192% equity interest in 億陽集團股份有限公司 (Yiyang Group Holdings Limited\*, “**Yiyang Group**”), a private entity incorporated in the PRC, which is principally engaged in a diversified business including but not limited to information technology, energy and resources and healthcare-related business.

The Trust Fund is denominated in RMB and mainly invested in collateral-backed micro-credit loans. The yields on the Trust Fund are not guaranteed, and hence, they were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. No returns were received from the Trust Fund in respect of the capital contribution during the Interim Period (2020: N/A).

\* English name is for identification purpose only

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Yiyang Group was one of the customers of the Group. During the year ended 31 December 2020, Yiyang Group failed to repay its debts and proposed a debt restructuring plan which was approved by the court in the PRC, pursuant to which the shareholder of Yiyang Group shall transfer its equity interest to the creditors of Yiyang Group in proportion to the total debts to offset the debts payable to the creditors of Yiyang Group. As a result, the Group derecognised the distressed debt assets due from Yiyang Group in exchange of 0.192% equity interest of Yiyang Group. No dividends were received on this equity investment during the Interim Period (2020: N/A).

## 16. LOANS TO CUSTOMERS

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Note		
Principal and interest receivables:			
Pawn loans		261,998	264,380
Micro-credit loans		117,314	97,326
Entrusted loans		14,063	13,875
Distressed debt assets		17,741	17,503
Loans to customers, gross		411,116	393,084
Less: Loss allowance	16(b)	(130,282)	(139,022)
Loans to customers, net		280,834	254,062

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.

## 16. 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 ECLs as at the end of reporting period, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Neither overdue nor credit-impaired	213,864	172,985
Overdue but not credit-impaired		
– overdue within 30 days	4,335	33,148
– overdue 30 to 90 days	27,495	16,914
Overdue and credit-impaired		
– overdue more than 90 days	165,422	170,037
	<b>411,116</b>	<b>393,084</b>

The Group has adopted the ECLs 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 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 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.

## 16. LOANS TO CUSTOMERS (Continued)

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

	Period from 1 January 2021 to 30 June 2021 (Unaudited) HK\$'000	Year ended 31 December 2020 (Audited) HK\$'000
At the beginning of the reporting period	139,022	102,825
(Credited)/Charged to profit or loss	(10,602)	31,533
Written off	–	(3,183)
Exchange realignments	1,862	7,847
	<hr/>	<hr/>
At the end of the reporting period	130,282	139,022

Specifically, in estimating the amount of ECLs, 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 ECLs, representing approximately 31.7% (as at 31 December 2020: approximately 35.4%) of the gross carrying amount, against all loans to customers as at 30 June 2021.

The Group's loss allowance for ECLs 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.

## 17. PROMISSORY NOTES

	Period from 1 January 2021 to 30 June 2021 (Unaudited) HK\$'000	Year ended 31 December 2020 (Audited) HK\$'000
At the beginning of the reporting period	5,334	20,279
Effective interest expenses	109	1,470
Interest payments	(443)	(1,200)
Gain on modification of terms	–	(215)
Redemption	(5,000)	(15,000)
Carrying value at the end of the reporting period	–	5,334
Face value, at the end of the reporting period	–	5,000

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 (the “**Promissory Note**”), by 1 year from 6 February 2020 to 6 February 2021 and to carry interest at the rate of 8% per annum based on the actual number of borrowing days. The modification was not accounted for as an extinguishment and gain on modification of terms of HK\$215,000 was recognised in profit or loss for the modification. On 29 January 2021, the Company and the holder of the Promissory Note entered into an amendment agreement, pursuant to which the maturity date of the Promissory Note was extended from 6 February 2021 to 31 March 2021 (the “**Amendment**”). Save for the Amendment, all other terms and conditions of the Promissory Note shall remain unchanged. On 18 March 2021, all outstanding principal and accrued interests of HK\$5,000,000 and approximately HK\$443,000 were settled by the Company.

As at 31 December 2020, the promissory note bore interest of 8% per annum and mature in 5 years from the date of issue on 6 February 2015, which extended to 6 February 2021 and further extended to 31 March 2021 as abovementioned. The effective interest rate of the promissory note was determined to be approximately 9.01% per annum. The promissory note was classified under current liabilities as at 31 December 2020 and measured at amortised cost.

## 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, Busting 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.

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 with effective on 8 April 2020.

## 18. CONVERTIBLE BONDS (Continued)

During the year ended 31 December 2020, the Company and the holder of 2022 CB entered into redemption agreements, to early redeem the zero-coupon convertible bonds with aggregate principal amount of HK\$98,851,000 by cash settlement of approximately HK\$85,324,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of 2022 CB at initial recognition. At the date of redemption, a deemed capital contribution, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK\$2,136,000 and the redemption prices allocated to the equity component of approximately HK\$1,889,000 were recognised in equity. Upon the redemption of 2022 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2022 CB of approximately HK\$193,000 was transferred to accumulated losses.

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

During the Interim Period, the Company also entered into redemption agreements with another holder of 2022 CB, to early redeem the zero-coupon convertible bonds with aggregate principal amount of HK\$87,355,000 by cash settlement of approximately HK\$81,599,000. The redemption prices were allocated to the liability component and the equity component on the same basis as used in the allocation of the fair value of 2022 CB at initial recognition. At the date of redemption, a deemed capital contribution, representing the differences between the redemption prices allocated to the liability component and the carrying amount of the liability component, of approximately HK\$1,361,000 and the redemption prices allocated to the equity component of approximately HK\$1,806,000 were recognised in equity. Upon the redemption of 2022 CB, the remaining amount of the convertible bonds reserve attributable to the redeemed 2022 CB of approximately HK\$308,000 was transferred to accumulated losses.

Save for disclosed above, there was no conversion or redemption of the convertible bonds during the six months ended 30 June 2021 and the year ended 31 December 2020 or subsequent to the end of the reporting period.

## 18. CONVERTIBLE BONDS (Continued)

As at 30 June 2021, the Company had 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 2020 (Audited) HK\$'000	Amount	Amount	Outstanding principal amount as at 31 December 2020 (Audited) HK\$'000	Amount converted into shares during the Interim Period	Amount redeemed during the Interim Period	Outstanding principal amount as at 30 June 2021 (Unaudited) HK\$'000
					converted into shares during the year	redeemed during the year				
2022 CB	25 June 2014	24 June 2022	HK\$1.75	387,200	-	(98,851)	288,349	-	(97,355)	190,994
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.

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 during the year ended 31 December 2019. The balances of the convertible bonds reserve for the 2019 CB and 2020 CB at the date of the Alteration of HK\$702,328,000 were transferred from convertible bonds reserve to accumulated losses during the year ended 31 December 2019.

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 2020: 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 2021 to 30 June 2021 (Unaudited) HK\$'000	Year ended 31 December 2020 (Audited) HK\$'000
<b>Equity component</b>		
At the beginning of the reporting period	9,282	10,978
Early redemption of 2022 CB	(1,670)	(1,696)
<b>At the end of the reporting period</b>	<b>7,612</b>	<b>9,282</b>
<b>Liability component</b>		
At the beginning of the reporting period	422,921	461,025
Effective interest expenses of the 2022 CB and 2023 CB	20,585	47,467
Early redemption of 2022 CB	(90,374)	(85,571)
<b>At the end of the reporting period</b>	<b>353,132</b>	<b>422,921</b>
<b>Face value, at the end of the reporting period</b>	<b>384,994</b>	<b>482,349</b>

The liability portion of convertible bonds was analysed as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current liabilities	181,038	–
Non-current liabilities	172,094	422,921
	<b>353,132</b>	<b>422,921</b>

## 19. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>			
As at 1 January 2020, ordinary shares of HK\$0.01 each		10,000,000	100,000
Share consolidation	(a)	(8,000,000)	–
<hr/>			
As at 31 December 2020, 1 January 2021 and 30 June 2021, ordinary shares of HK\$0.05 each		2,000,000	100,000
<hr/>			
<b>Issued and fully paid:</b>			
As at 1 January 2020, 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 31 December 2020 and 1 January 2021, ordinary shares of HK\$0.05 each		281,276	14,064
Rights issue	(c)	562,553	28,127
<hr/>			
As at 30 June 2021, ordinary shares of HK\$0.05 each		843,829	42,191

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 place 105,264,000 ordinary shares of the Company 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 amount of approximately HK\$8,557,000, which represented 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.
- (c) On 3 December 2020, the Company proposed to implement the rights issue on the basis of two (2) rights shares for every one (1) existing share held on 8 February 2021, being the record date, at the subscription price of HK\$0.135 per rights share. The rights issue was approved by the independent shareholders of the Company at the special general meeting held on 26 January 2021 and subsequently became unconditional and completed as announced on 15 March 2021. As such, 562,552,822 shares, with par value of HK\$0.05 each, were issued and allotted under the rights issue. The amount of approximately HK\$43,955,000, which represented the premium on the rights issue of approximately HK\$47,818,000 net of share issue expenses of approximately HK\$3,863,000, 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 2020: 1 to 16 years). None of the leases includes contingent rentals.

As at 30 June 2021 and 31 December 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 properties under operating leases, with lease negotiated for terms ranging from 1 to 2.5 years. None of the leases includes contingent rentals.

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within one year	–	13
In the second to fifth years, inclusive	–	–
	–	13

## 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 2021 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets:</b>				
Unlisted equity investment at FVTOCI	5,482	-	-	5,482
Unlisted equity investment at FVTPL	4,753	-	-	4,753
Unlisted investment in non-principal guaranteed trust fund at FVTPL	11,619	-	-	11,619
	<b>21,854</b>	<b>-</b>	<b>-</b>	<b>21,854</b>
	Fair value at	Fair value measurements as at		
	31 December 2020 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets:</b>				
Unlisted equity investment at FVTOCI	5,409	-	-	5,409
Unlisted equity investment at FVTPL	4,689	-	-	4,689
Unlisted investment in non-principal guaranteed trust fund at FVTPL	12,175	-	-	12,175
	<b>22,273</b>	<b>-</b>	<b>-</b>	<b>22,273</b>

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.

## 21. FAIR VALUE MEASUREMENTS (Continued)

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

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

Unlisted investment:

	Period from 1 January 2021 to 30 June 2021 (Unaudited) HK\$'000	Year ended 31 December 2020 (Audited) HK\$'000
At the beginning of the reporting period	22,273	4,850
Additions during the reporting period	–	11,242
Transfer from loans to customers	–	4,446
Fair value gain recognised in profit or loss	–	301
Net unrealised gains recognised in other comprehensive income during the reporting period	–	248
Redemptions	(719)	–
Exchange realignments	300	1,186
At the end of the reporting period	21,854	22,273

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, if any, is recognised in the line item “fair value gains on investment properties” on the face of the unaudited condensed consolidated income statement.

### (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 was 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\$25,987,000 (2020: approximately HK\$22,061,000), representing an increase of approximately HK\$3,926,000 as compared with the corresponding period last year. The increase was mainly attributable to the increase in interest income from loans to customers during the Interim Period.

The administrative and other expenses for the Interim Period increased by approximately HK\$2,766,000 to approximately HK\$19,513,000 (2020: approximately HK\$16,747,000).

The Group recorded reversal of loss allowance for ECLs on loans to customers for the Interim Period of approximately HK\$10,602,000 (2020: charge of loss allowance for ECLs of approximately HK\$13,119,000), representing a decrease in charge of loss allowance for ECLs of approximately HK\$23,721,000 as compared with corresponding period of 2020. The turnaround was mainly due to the improvement on the customers' aging after the containment of COVID-19 pandemic in the PRC.

The Group has completed the acquisition of 25% equity interest in Xuan Wei, which is classified as investment in a joint venture, in May 2021. As the joint venture is still in its early stage of establishment and certain setup costs were incurred, the Group, therefore, recorded share of loss of a joint venture for the Interim Period of approximately HK\$140,000 (2020: N/A).

The loss attributable to the owners of the Company for the Interim Period was approximately HK\$9,833,000 (2020: approximately HK\$34,233,000). The decrease in loss was mainly attributable to the effect of (i) increase in total revenue; (ii) decrease in charge of loss allowance for ECLs on loans to customers (net of corresponding deferred tax impacts); and (iii) decrease in finance costs as a result of partial redemptions of convertible bonds and redemptions of promissory note made by the Group during the year ended 31 December 2020 and the Interim Period.

### PROSPECTS

Looking forward, the persistent tensions between China and the United States of America, combined with the COVID-19 pandemic will continue to bring uncertainties to the market and the operations of businesses. The domestic economy in the PRC is still facing downward pressure. In this regard, the People's Bank of China is carrying out prudent and moderately flexible monetary policies to continue to maintain necessary supports for the economic recovery and encourage commercial banks to place more resources to provide financing services to micro and small businesses (the "MSBs"). Despite the uncertainties in market and fierce competition in the financial industry, the Group will continue to offer fast and flexible short-term financing services to the MSBs and individual borrowers. At the same time, the Group will also actively adjust its operation strategy on our short-term financing services business and seek optimisation and transformation to maintain its competitiveness in the market.

During the Interim Period, the Group acquired 25% equity interest in Xuan Wei, which is principally engaged in the recycling of tobacco wastes in the PRC. The extracted goods from tobacco wastes are high value products which can be used in comprehensive fields such as electronic cigarettes, bio-organic fertilizer, biomedicine, food additives, medicines, and cosmetics. The Group expects the acquisition will enable the Group to capture the opportunity of the rapid growth of the nicotine manufacturing industry in the PRC and diversify the income stream and business risks.

Going forward, the management of the Group will maintain a prudent and stable strategy and react proactively to the challenges and opportunities ahead. The Group will continue to explore business opportunities to broaden and diversify our income stream and adopt cost-effective policies to improve the overall financial performance of the Group and to maximise the value for our shareholders.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

During the 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 interim 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 2021, the Group had other debt which is liability component of convertible bonds of approximately HK\$353,132,000 (as at 31 December 2020: promissory note and liability component of convertible bonds of approximately HK\$428,255,000). 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 2021, the Group had cash and cash equivalents of approximately HK\$106,306,000 (as at 31 December 2020: approximately HK\$139,193,000) 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 and external fund raising activities from the capital market.

As at 30 June 2021, the gearing ratio for the Group was approximately positive 7.7 (as at 31 December 2020: approximately negative 20.4 due to the Group's negative equity position), calculated based on the total debts of approximately HK\$353,132,000 (as at 31 December 2020: approximately HK\$428,255,000) over shareholder's equity of approximately HK\$45,937,000 (as at 31 December 2020: approximately negative HK\$20,988,000). The debt ratio was approximately 0.80 (as at 31 December 2020: approximately 0.94), 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 2021 and 31 December 2020.

### (ii) Promissory Notes

As at 30 June 2021, the Company had no outstanding promissory note. Summary of the promissory note 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 2021 (HK\$)	Interest rate per annum	Principal repayment due date	Redeemed principal amount (HK\$)	Outstanding principal amount as at 30 June 2021 (HK\$)
6 February 2015	5,000,000	8%	31 March 2021 (Note)	(5,000,000)	-

Note: On 29 January 2021, the Company and the holder of the promissory note entered into an amendment agreement, to extend the maturity date of the promissory note by 53 days from 6 February 2021 to 31 March 2021 and to carry interest at the rate of 8% per annum based on the actual number of borrowing days.

### (iii) Convertible Bonds

As at 30 June 2021, 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 2021 (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 2021 (HK\$)	Number of shares to be issued upon full conversion as at 30 June 2021
25 June 2014	288,349,000	24 June 2022	HK\$1.75	-	(97,355,000)	190,994,000	109,139,427
6 February 2015	194,000,000	5 February 2023	HK\$1.75	-	-	194,000,000	110,857,142

## FUND RAISING ACTIVITIES

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

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

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

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

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

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

## USE OF PROCEEDS

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

The actual net proceeds raised from the Rights Issue was approximately HK\$72.1 million. Up to 30 June 2021, the Group has utilised the net proceeds as follows:

	Intended use of net proceeds as stated in the Prospectus HK\$'000	Actual use of net proceeds up to 30 June 2021 HK\$'000	Unutilised net proceeds up to 30 June 2021 HK\$'000	Expected timeline for the intended use
Repayment of promissory note	5,400	5,400	–	N/A
Repayment of convertible bonds	35,000	35,000	–	N/A
Establishment of new business on biotechnology side and business development of the Group in the PRC	20,000	6,149	13,851	On or before 31 December 2021
General working capital	11,682	8,371	3,311	On or before 30 September 2021
	72,082	54,920	17,162	

## 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 2021, 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 2021, 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 2021, 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 2021 and 31 December 2020, the Group did not have any assets under charged.

## EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 June 2021, the Group employed a total of 67 employees (as at 31 December 2020: 68). 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\$7,683,000 (30 June 2020: approximately HK\$6,987,000).

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 2021, the Group did not have any material contingent liability (31 December 2020: 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 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 (Note)
Mr. Zhang Wei	Beneficial owner	68,257,920	8.09
Ms. Li Wei	Beneficial owner	43,762,800	5.19

Note: The percentage represents the number of shares interested divided by the number of the issued shares as at 30 June 2021 (i.e. 843,829,233 shares).

Save for disclosed above, as at 30 June 2021, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to 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 2021, 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 Position in the Shares

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company (Note 4)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	151,670,856	–	151,670,856	17.97
Mr. Dai Di (Note 1)	–	151,670,856	151,670,856	17.97
Bustling Capital Limited (Note 2)	104,039,999	–	104,039,999	12.32
Ms. Jin Yu (Note 2)	–	104,039,999	104,039,999	12.32
Mr. Dai Hao (Notes 2 and 3)	–	104,039,999	104,039,999	12.32

#### Notes:

- The 151,670,856 shares held by Exuberant Global Limited ("**Exuberant Global**") represent (i) 40,000,000 shares; and (ii) 111,670,856 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 151,670,856 shares held by Exuberant Global.
- The 104,039,999 shares held by Bustling Capital represent (i) 10,000,000 shares; and (ii) 94,039,999 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 104,039,999 shares.
- By virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is deemed to be interested in 104,039,999 shares held by Bustling Capital.
- The percentage represents the number of Shares interested divided by the number of the issued shares as at 30 June 2021 (i.e. 843,829,233 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 2021, 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 2021, there was no outstanding share option under the Share Option Scheme.

As at the date of this report, a maximum of 84,382,923 shares, representing approximately 10% 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 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.

## 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 2021.

## 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, 11 August 2021

*As at the date of this report, the executive Directors are Mr. Zhang Wei and Ms. Li Wei and the independent non-executive Directors are Mr. Chen Yihua, Mr. Lee Zak Yuen and Dr. Wong Wing Kuen Albert.*

*This 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>.*