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Capital Finance Holdings Limited
首都金融控股有限公司

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

(Stock Code: 8239)

**CONNECTED TRANSACTION IN RELATION TO THE PROPOSED
EXTENSION OF MATURITY DATE OF CONVERTIBLE BONDS**

EXTENSION OF MATURITY DATE OF THE CONVERTIBLE BONDS

On 20 February 2019 (after trading hours of the Stock Exchange), the Company executed the Amendment Deeds, to extend the maturity date of the 2014 Convertible Bonds by 3 years from 24 June 2019 to 24 June 2022, and the 2015 Convertible Bonds by 3 years from 5 February 2020 to 5 February 2023 (i.e. the Alteration). Save for the aforesaid proposed Alteration, all other terms and conditions of the Convertible Bonds shall remain unchanged.

LISTING RULES IMPLICATIONS

Time Prestige is wholly beneficially owned by Mr. Dai Hao. Bustling Capital is wholly beneficially owned by Ms. Jin Yu, the spouse of Mr. Dai Hao. Exuberant Global is wholly beneficially owned by Mr. Dai Di, the brother of Mr. Dai Hao. As at the date of this announcement, Time Prestige, Bustling Capital and Exuberant Global is interested in 26,800,000 Shares, 67,000,000 Shares, and 294,200,000 Shares, respectively, representing approximately 2.06%, 5.15%, and 22.61% of the existing issued share capital of the Company, respectively. Exuberant Global is a Connected Person of the Company and each of Time Prestige, Bustling Capital is an associate of Exuberant Global. Therefore, 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.

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 Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company will make an application for the approval of the proposed Alteration.

GENERAL

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the proposed Alteration. Amasse Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the proposed Alteration. The Bondholders and their respective associates shall abstain from voting on the ordinary resolution in relation to the Amendment Deeds and the transactions contemplated thereunder to be proposed at the EGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Amendment Deeds and the transactions contemplated thereunder.

A circular containing, inter alia, (i) details of Amendment Deeds; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Amendment Deeds and the transactions contemplated thereunder; (iii) a recommendation from the Independent Board Committee in relation to the Amendment Deeds and the transactions contemplated thereunder; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 13 March 2019 in accordance with the GEM Listing Rules.

EXTENSION OF THE MATURITY DATE OF THE CONVERTIBLE BONDS

Background

Reference is made to the announcement of Capital Finance Holdings Limited (the "**Company**") dated 23 December 2013, and the circular of the Company dated 30 May 2014 (the "**Circular**") in relation to, among other things, the Convertible Bonds. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

On 23 December 2013, the Company and each of Exuberant Global, Bustling Capital and Time Prestige entered into the Acquisition Agreement, pursuant to which each of Exuberant Global, Bustling Capital and Time Prestige agreed to subscribe for, and the Company agreed to issue, the 2014 Convertible Bonds in the principal amount of HK\$255,630,000, HK\$117,550,000 and HK\$47,020,000, respectively. Completion of the Acquisition Agreement took place on 25 June 2014 and the Convertible Bonds were issued to each of Exuberant Global, Bustling Capital and Time Prestige.

In addition, as disclosed in the Circular and the announcement of the Company dated 4 February 2015, Exuberant Global agreed to subscribe for, and the Company agreed to issue, the 2015 Convertible Bonds in the principal amount of HK\$236,000,000 as settlement of the Earn-out Consideration pursuant to the Acquisition Agreement.

The Convertible Bonds are interest-free and convertible into Shares. As at the date of this announcement, the Convertible Bonds in the aggregate principal amount of HK\$581,200,000 remain outstanding as follows:

- a. Time Prestige holds a 2014 Convertible Bond in the outstanding principal amount of HK\$47,020,000 maturing on 24 June 2019;
- b. Bustling Capital holds a 2014 Convertible Bond in the outstanding principal amount of HK\$117,550,000 maturing on 24 June 2019;
- c. Choice Magic Limited holds a 2014 Convertible Bond in the outstanding principal amount of HK\$10,000,000 maturing on 24 June 2019;
- d. Ultimate One Limited holds a 2014 Convertible Bond in the outstanding principal amount of HK\$10,000,000 maturing on 24 June 2019;
- e. Exuberant Global holds a 2014 Convertible Bond and a 2015 Convertible Bond in the outstanding principal amount of HK\$202,630,000 and HK\$179,000,000 maturing on 24 June 2019 and 5 February 2020, respectively; and
- f. Genius Ideal Limited holds a 2015 Convertible Bond in the outstanding principal amount of HK\$15,000,000 maturing on 5 February 2020.

Amendment Deeds

On 20 February 2019 (after trading hours of the Stock Exchange), the Company executed the Amendment Deeds, to extend the maturity date of the 2014 Convertible Bonds by 3 years from 24 June 2019 to 24 June 2022, and the 2015 Convertible Bonds by 3 years from 5 February 2020 to 5 February 2023 (i.e. the Alteration). Save for the aforesaid proposed Alteration, all other terms and conditions of the Convertible Bonds shall remain unchanged.

Time Prestige is wholly beneficially owned by Mr. Dai Hao. Bustling Capital is wholly beneficially owned by Ms. Jin Yu, the spouse of Mr. Dai Hao. Exuberant Global is wholly beneficially owned by Mr. Dai Di, the brother of Mr. Dai Hao. As at the date of this announcement, Time Prestige, Bustling Capital and Exuberant Global is interested in 26,800,000 Shares, 67,000,000 Shares, and 294,200,000 Shares, respectively, representing approximately 2.06%, 5.15%, and 22.61% of the existing issued share capital of the Company, respectively. Exuberant Global is a Connected

Person of the Company and each of Time Prestige, Bustling Capital is an associate of Exuberant Global. Therefore, 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.

Conditions Precedent

The Amendment Deeds will only become effective upon all the following conditions having been fulfilled:

- i. the approval of the Alteration as stipulated under the Amendment Deeds by the Stock Exchange;
- ii. the passing of an ordinary resolution to approve the Alteration as stipulated under the Amendment Deeds by the Independent Shareholders at the EGM to be held and convened to approve the Amendment Deeds and the transactions contemplated thereunder; and
- iii. all necessary consents and approvals required to be obtained on the part of the Company and the Bondholders in respect of Alteration as stipulated under the Amendment Deeds.

In the event that the above conditions precedent are not fulfilled by 20 August 2019 (or such other date as may be agreed by the Company and the Bondholders), the provisions of the Amendment Deeds shall become null and void. For the avoidance of doubt, the Convertible Bonds shall remain valid and effective in accordance with its terms. The Amendment Deeds and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

The principal terms of the Convertible Bonds after the Amendment Deeds becomes effective are as follows:

2014 Convertible Bonds

Issuer:	the Company
Outstanding principal amount:	HK\$387,200,000
Interest:	non-interest bearing
Maturity:	24 June 2022
Security:	Unsecured

- Conversion right:** The holder(s) of the Convertible Bonds shall have the rights to convert the whole or the part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds into the Conversion Shares at any time from the seventh day after the date of issue of the auditors' certificate in relation to the 2013 Actual Profit and up to the seventh day prior to the maturity date of the Convertible Bonds.
- Conversion restriction:** The holder(s) of the Convertible Bonds shall not have the right to convert the Convertible Bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the Shares as required under the GEM Listing Rules; or (ii) the holder of the Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the Convertible Bonds would be obliged to make a general offer under the Takeovers Code.
- Conversion price:** HK\$0.35 per Conversion Share, subject to anti-dilutive adjustments upon the occurrence of any of the following events: (i) consolidation or subdivision or reclassification of Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) rights issues or grant of options or warrants to subscribe for Shares; or (v) issue of new Shares or convertible or exchangeable securities at less than a certain rate of the then current market price of the Shares.
- Ranking:** The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with all other existing Shares in issue on the date of the conversion notice and shall be entitled to all dividends, other distributions, interests and entitlements.
- Transferability:** Subject to the compliance with the GEM Listing Rules and other applicable laws and regulations, the Convertible Bonds may be transferred or assigned by the holder(s) of the Convertible Bonds in whole or in part in multiples of HK\$1,000,000 to any party provided that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company (save and except for the associates of the holder(s) of the Convertible Bonds) without the prior consent of the Company.
- Redemption:** Unless previously converted, the Company shall pay 105% of the outstanding principal amount under the Convertible Bonds to the holder(s) of the Convertible Bonds on the maturity date of the Convertible Bonds.

Repurchase:	The Company or any of its subsidiaries may at any time prior to the maturity date repurchase the Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the holder(s) of the Convertible Bonds. The Convertible Bonds repurchased will be cancelled forthwith.
Event of default:	<p>Customary events of default</p> <p>Upon the occurrence of an event of default, subject to a special resolution passed by a majority of not less than three-fourths of votes cast by the holder(s) of the Convertible Bonds at a meeting of the holder(s) of the Convertible Bonds or a written resolution signed by the holder(s) of Convertible Bonds which amounted to three-fourths of the then outstanding principal amounts of the Convertible Bonds, the Convertible Bonds shall become immediately repayable at a redemption premium calculated with reference to an annual rate of return of 6%.</p> <p>Interest shall be chargeable on any amount outstanding from the Convertible Bonds from the date of the event of default until the actual date of payment.</p>
Voting rights:	The Convertible Bonds shall not carry any voting rights.
Listing:	No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

2015 Convertible Bonds

Issuer:	the Company
Outstanding principal amount:	HK\$194,000,000
Interest:	non-interest bearing
Maturity:	5 February 2023
Security:	Unsecured

- Conversion right:** The holder(s) of the Convertible Bonds shall have the rights to convert the whole or the part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds into the Conversion Shares at any time from the seventh day after the date of issue of the auditors' certificate in relation to the 2013 Actual Profit and up to the seventh day prior to the maturity date of the Convertible Bonds.
- Conversion restriction:** The holder(s) of the Convertible Bonds shall not have the right to convert the Convertible Bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the Shares as required under the GEM Listing Rules; or (ii) the holder of the Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the Convertible Bonds would be obliged to make a general offer under the Takeovers Code.
- Conversion price:** HK\$0.35 per Conversion Share, subject to anti-dilutive adjustments upon the occurrence of any of the following events: (i) consolidation or subdivision or reclassification of Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) rights issues or grant of options or warrants to subscribe for Shares; or (v) issue of new Shares or convertible or exchangeable securities at less than a certain rate of the then current market price of the Shares.
- Ranking:** The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with all other existing Shares in issue on the date of the conversion notice and shall be entitled to all dividends, other distributions, interests and entitlements.
- Transferability:** Subject to the compliance with the GEM Listing Rules and other applicable laws and regulations, the Convertible Bonds may be transferred or assigned by the holder(s) of the Convertible Bonds in whole or in part in multiples of HK\$1,000,000 to any party provided that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company (save and except for the associates of the holder(s) of the Convertible Bonds) without the prior consent of the Company.
- Redemption:** Unless previously converted, the Company shall pay 105% of the outstanding principal amount under the Convertible Bonds to the holder(s) of the Convertible Bonds on the maturity date of the Convertible Bonds.

Repurchase: The Company or any of its subsidiaries may at any time prior to the maturity date repurchase the Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the holder(s) of the Convertible Bonds. The Convertible Bonds repurchased will be cancelled forthwith.

Event of default: Customary events of default

Upon the occurrence of an event of default, subject to a special resolution passed by a majority of not less than three-fourths of votes cast by the holder(s) of the Convertible Bonds at a meeting of the holder(s) of the Convertible Bonds or a written resolution signed by the holder(s) of Convertible Bonds which amounted to three-fourths of the then outstanding principal amounts of the Convertible Bonds, the Convertible Bonds shall become immediately repayable at a redemption premium calculated with reference to an annual rate of return of 6%.

Interest shall be chargeable on any amount outstanding from the Convertible Bonds from the date of the event of default until the actual date of payment.

Voting rights: The Convertible Bonds shall not carry any voting rights.

Listing: No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Save and except for the extension of the maturity date, all terms and conditions of the Convertible Bonds remain unchanged.

REASONS AND BENEFITS FOR THE PROPOSED ALTERATION

The Company is an investment holding company. The principal activity of the Group is provision of short-term financing services in the PRC and Hong Kong.

According the interim report of the Company for the 6 months ended 30 June 2018, the Group has recorded net liabilities as at 30 June 2018. As it is expected that there may be further capital requirements for the business operations of the Company in the near future, the Board is of the view that the Company will not have enough cash to redeem the Convertible Bonds in the next few months or within the forthcoming financial year. As such, the Alteration will enable the Group to postpone a substantial cash outflow and allow the Group to have reasonable time to improve its business performance and financial position.

The Alteration will also allow the Company to have more financial flexibility. The Company considers that it is in the interests of the Company and its Independent Shareholders as a whole to utilise its resources for business development and other business opportunities in order to maximise returns to its Shareholders. As such, the Alteration will allow the Group to have additional time to develop its business instead of repaying the Convertible Bonds within a relatively short period.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) considers that the terms and conditions of the Amendment Deeds are fair and reasonable and the Alteration is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Time Prestige is wholly beneficially owned by Mr. Dai Hao. Bustling Capital is wholly beneficially owned by Ms. Jin Yu, the spouse of Mr. Dai Hao. Exuberant Global is wholly beneficially owned by Mr. Dai Di, the brother of Mr. Dai Hao. As at the date of this announcement, Time Prestige, Bustling Capital and Exuberant Global is interested in 26,800,000 Shares, 67,000,000 Shares, and 294,200,000 Shares, respectively, representing approximately 2.06%, 5.15%, and 22.61% of the existing issued share capital of the Company, respectively. Exuberant Global is a Connected Person of the Company and each of Time Prestige, Bustling Capital is an associate of Exuberant Global. Therefore, 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.

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 Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company will make an application for the approval of the proposed Alteration.

GENERAL

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the proposed Alteration. Amasse Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the proposed Alteration. The Bondholders and their respective associates shall abstain from voting on the ordinary resolution in relation to the Amendment Deeds and the transactions contemplated thereunder to be proposed at the EGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Amendment Deeds and the transactions contemplated thereunder.

A circular containing, inter alia, (i) details of Amendment Deeds; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Amendment Deeds and the transactions contemplated thereunder; (iii) a recommendation from the Independent Board Committee in relation to the Amendment Deeds and the transactions contemplated thereunder; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 13 March 2019 in accordance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2014 Bondholders”	the registered holders and/or beneficial owners of the 2014 Convertible Bonds
“2014 Convertible Bonds”	the zero coupon convertible bonds due on 24 June 2019 in an aggregate principal amount of HK\$420,200,000 issued by the Company on 25 June 2014 and with outstanding principal of HK\$387,200,000 as at the date of this announcement
“2015 Bondholders”	the registered holders and/or beneficial owners of the 2015 Convertible Bonds
“2015 Convertible Bonds”	the zero coupon convertible bonds due on 5 February 2020 in an aggregate principal amount of HK\$236,000,000 issued by the Company on 6 February 2015 and with outstanding principal of HK\$194,000,000 as at the date of this announcement
“Alteration”	the extension the maturity date of the 2014 Convertible Bonds by 3 years from 24 June 2019 to 24 June 2022, and the 2015 Convertible Bonds by 3 years from 5 February 2020 to 5 February 2023 pursuant to the Amendment Deeds
“Amendment Deeds”	the deeds executed by the Company on 20 February 2019 to extend the maturity date of the Convertible Bonds in accordance with the Alteration
“Board”	the board of Directors
“Bondholders”	the 2014 Bondholders and the 2015 Bondholders, collectively

“Bustling Capital”	Bustling Capital Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Ms. Jin Yu
“Company”	Capital Finance Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued Shares of which are listed on the GEM (stock code: 8239)
“Connected Person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Convertible Bonds”	the 2014 Convertible Bonds and the 2015 Convertible Bonds, collectively
“Directors”	the Directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, in respect of the proposed Alteration
“Exuberant Global”	Exuberant Global Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Dai Di
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which will be established to make recommendations to the Independent Shareholders in respect of the terms of the resolutions in respect of the proposed Alteration
“Independent Financial Adviser”	Amasse Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Amendment Deeds and the transactions contemplated thereunder.
“Independent Shareholders”	Shareholders other than the Bondholders and their respective associates
“Mr. Dai Di”	Mr. Dai Di, the brother of Mr. Dai Hao, and the beneficial owner of Exuberant Global
“Mr. Dai Hao”	Mr. Dai Hao, the brother of Mr. Dai Di and the beneficial owner of Time Prestige

“Ms. Jin Yu”

Ms. Jin Yu, the spouse of Mr. Dai Hao and the beneficial owner of Bustling Capital

“Time Prestige”

Time Prestige Holdings Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Dai Hao

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

Hong Kong, 20 February 2019

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Mr. Yang Bo; 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 announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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