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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)

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND (2) CONNECTED TRANSACTION: PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the growth of the Group and to provide the Company with greater flexibility for the issue of the Conversion Shares under the Convertible Bonds and other possible fund-raising activities in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 Shares to HK\$1,000,000,000 divided into 20,000,000,000 Shares by the creation of an additional 18,000,000,000 Shares. Subject to the passing of an ordinary resolution by the Shareholders at the SGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the SGM.

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 4 April 2022 (after trading hours), the Company entered into the conditional Subscription Agreements with the respective Subscribers, pursuant to which each of the Subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds.

On the assumption that the 2022 Convertible Bonds would be converted into Conversion Shares in full at the initial Conversion Price, 1,996,800,000 Conversion Shares will be issued, representing (1) approximately 197.35% of the existing issued share capital of the Company, (2) approximately 66.37% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2022 Convertible Bonds (assuming that no Conversion Shares to be allotted and issued under the 2023 Convertible Bonds), and (3) approximately 29.73% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2022 Convertible Bonds and the 2023 Convertible Bonds. The aggregate subscription amounts of HK\$99,840,000 for the 2022 Convertible Bonds will be set off by the respective outstanding principal amounts of the 2014 Convertible Bonds held by the relevant Subscribers respectively which shall fall due on 24 June 2022.

On the assumption that the 2023 Convertible Bonds would be converted into Conversion Shares in full at the initial Conversion Price, 3,708,000,000 Conversion Shares will be issued, representing (1) approximately 366.47% of the existing issued share capital of the Company, (2) approximately 78.56% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2023 Convertible Bonds (assuming that no Conversion Shares to be allotted and issued under the 2022 Convertible Bonds), and (3) approximately 55.21% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2022 Convertible Bonds and the 2023 Convertible Bonds. The aggregate subscription amounts of HK\$185,400,000 for the 2023 Convertible Bonds will be set off by the respective outstanding principal amounts of the 2015 Convertible Bonds held by the relevant Subscribers respectively which shall fall due on 5 February 2023.

GENERAL

A circular containing, among others, (i) the Increase in Authorised Share Capital; (ii) details of the Subscription Agreements and the Convertible Bonds; (iii) other information required under the GEM Listing Rules; and (iv) a notice convening the SGM, shall be despatched on or before 29 April 2022.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the growth of the Group and to provide the Company with greater flexibility for the issue of the Conversion Shares under the Convertible Bonds and other possible fund-raising activities in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 Shares to HK\$1,000,000,000 divided into 20,000,000,000 Shares by the creation of an additional 18,000,000,000 Shares. Subject to the passing of an ordinary resolution by the Shareholders at the SGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the SGM.

The Increase in Authorised Share Capital is conditional upon the passing of ordinary resolution by the Shareholders at the SGM. The Directors are of the view that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

BACKGROUND OF THE SUBSCRIPTION AGREEMENTS

As at the date of this announcement and immediately before the entering into of the Subscription Agreements, the 2014 Convertible Bonds in the aggregate principal amount of HK\$99,840,000 remain outstanding as follows:

- a. Bustling Capital holds a 2014 Convertible Bond in the outstanding principal amount of HK\$89,840,000 maturing on 24 June 2022; and
- b. Choice Magic holds a 2014 Convertible Bond in the outstanding principal amount of HK\$10,000,000 maturing on 24 June 2022.

As at the date of this announcement and immediately before the entering into of the Subscription Agreements, the 2015 Convertible Bonds in the aggregate principal amount of HK\$185,400,000 remain outstanding as follows:

- a. Exuberant Global holds a 2015 Convertible Bond in the outstanding principal amount of HK\$179,000,000 maturing on 5 February 2023; and
- b. Mr. Liu holds a 2015 Convertible Bond in the outstanding principal amount of HK\$6,400,000 maturing on 5 February 2023.

THE SUBSCRIPTION AGREEMENTS

On 4 April 2022 (after trading hours), the Company entered into the conditional Subscription Agreements with the respective Subscribers respectively, pursuant to which each of the Subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds.

(A) 2022 CB Subscription Agreements

Date: 4 April 2022

Parties: (i) the Company as issuer; and
(ii) Bustling Capital and Choice Magic as the 2022 CB Subscribers.

Subject to fulfilment of the conditions precedent to the 2022 CB Subscription Agreements below, each of the 2022 CB Subscribers shall subscribe for the 2022 Convertible Bonds in aggregate principal amount of HK\$99,840,000 respectively (as to HK\$89,840,000 and HK\$10,000,000 to Bustling Capital and Choice Magic respectively) under the respective 2022 CB Subscription Agreements and the said amounts shall be satisfied by setting off the respective outstanding principal amounts of the 2014 Convertible Bonds held by the relevant Subscribers respectively which shall fall due on 24 June 2022.

Save for the identity of the Subscribers and the amount of 2022 Convertible Bonds to be subscribed, the substantial part of the salient terms of each 2022 CB Subscription Agreements are identical.

Conditions precedent to the 2022 CB Subscription

The 2022 CB Subscription is conditional upon:

- (i) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares;
- (ii) the Company having obtained all the required consents and approvals in respect of the 2022 CB Subscription Agreements and the transactions contemplated thereunder;
- (iii) the relevant Subscribers having obtained all the required consents and approvals in respect of the 2022 CB Subscription Agreements and the transactions contemplated thereunder;

- (iv) the passing of the relevant resolution(s) by the Shareholders in the SGM (other than those who are required to abstain from voting or to vote in favour of the relevant resolution(s) as required by the GEM Listing Rules) in respect of, among other things, to approve the 2022 CB Subscription Agreements and the transactions contemplated thereunder, if applicable; and
- (v) the Increase in Authorised Share Capital becoming effective.

In the event that the conditions of the Subscription are not fulfilled on or before 30 June 2022 or such other date as may be agreed between the parties to the 2022 CB Subscription Agreements, the 2022 CB Subscription Agreements shall cease and terminate and neither the Company nor the 2022 CB Subscribers shall have any obligations and liabilities under the 2022 CB Subscription Agreements.

For the avoidance of doubt, the 2022 CB Subscription Agreements are not inter-conditional upon each other and are not inter-conditional upon the 2023 CB Subscription Agreements.

Completion

Completion will take place within the third business day after the conditions of the 2022 CB Subscription are fulfilled (or such other date as may be agreed between the respective parties).

The principal terms of the 2022 Convertible Bonds are as follows:

2022 Convertible Bonds

Issuer:	The Company
Aggregate principal amounts:	HK\$99,840,000
Interest:	Non-interest bearing
Maturity date:	24 December 2023
Security:	Unsecured

- Conversion right: The holder(s) of the 2022 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 2022 Convertible Bonds into the Conversion Shares at any time from the date of issue and up to the seventh day prior to the maturity date of the 2022 Convertible Bonds.
- Conversion restriction: The holder(s) of the 2022 Convertible Bonds shall not have the right to convert the 2022 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(s) of the 2022 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(s) of the 2022 Convertible Bonds would be obliged to make a general offer under the Takeovers Code.
- Conversion price: HK\$0.05 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 2022 Convertible Bonds may be transferred or assigned by the holder(s) of the 2022 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 2022 Convertible Bonds shall be made to any connected person of the Company (save and except for the associates of the holder(s) of the 2022 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 2022 Convertible Bonds to the holder(s) of the 2022 Convertible Bonds on the maturity date of the 2022 Convertible Bonds.
- Repurchase: The Company or any of its subsidiaries may at any time prior to the maturity date repurchase the 2022 Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the holder(s) of the 2022 Convertible Bonds. The 2022 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 2022 Convertible Bonds at a meeting of the holder(s) of the 2022 Convertible Bonds or a written resolution signed by the holder(s) of the 2022 Convertible Bonds which amounted to three-fourths of the then outstanding principal amounts of the 2022 Convertible Bonds, the 2022 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 2022 Convertible Bonds from the date of the event of default until the actual date of payment.
- Voting rights: The 2022 Convertible Bonds shall not carry any voting rights.
- Listing: No application will be made by the Company for the listing of the 2022 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.

On the assumption that the 2022 Convertible Bonds would be converted into Conversion Shares in full at the initial Conversion Price, 1,996,800,000 Conversion Shares will be issued, representing (1) approximately 197.35% of the existing issued share capital of the Company, (2) approximately 66.37% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2022 Convertible Bonds (assuming that no Conversion Shares to be allotted and issued under the 2023 Convertible Bonds), and (3) approximately 29.73% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2022 Convertible Bonds and the 2023 Convertible Bonds.

(B) 2023 CB Subscription Agreements

Date: 4 April 2022

Parties: (i) the Company as issuer; and

(ii) Exuberant Global and Mr. Liu as the 2023 CB Subscribers.

Subject to fulfilment of the conditions precedent to the 2023 CB Subscription Agreements below, each of the 2023 CB Subscribers shall subscribe for the 2023 Convertible Bonds in aggregate principal amount of HK\$185,400,000 respectively (as to HK\$179,000,000 and HK\$6,400,000 to Exuberant Global and Mr. Liu respectively) under the respective 2023 CB Subscription Agreements and the said amounts shall be satisfied by setting off the respective outstanding principal amounts of the 2015 Convertible Bonds held by the relevant Subscribers respectively which shall fall due on 5 February 2023.

Save for the identity of the Subscribers and the amount of 2023 Convertible Bonds to be subscribed, the substantial part of the salient terms of each 2023 CB Subscription Agreements are identical.

Conditions precedent to the 2023 CB Subscription

The 2023 CB Subscription is conditional upon:

- (i) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares;
- (ii) the Company having obtained all the required consents and approvals in respect of the 2023 CB Subscription Agreements and the transactions contemplated thereunder;
- (iii) the relevant Subscribers having obtained all the required consents and approvals in respect of the 2023 CB Subscription Agreements and the transactions contemplated thereunder;
- (iv) the passing of the relevant resolution(s) by the Shareholders in SGM (other than those who are required to abstain from voting or to vote in favour of the relevant resolution(s) as required by the GEM Listing Rules) in respect of, among other things, to approve the 2023 CB Subscription Agreements and the transactions contemplated thereunder, if applicable; and
- (v) the Increase in Authorised Share Capital becoming effective.

In the event that the conditions of the Subscription are not fulfilled on or before 30 June 2022 or such other date as may be agreed between the parties to the 2023 CB Subscription Agreements, the 2023 CB Subscription Agreements shall cease and terminate and neither the Company nor the 2023 CB Subscribers shall have any obligations and liabilities under the 2023 CB Subscription Agreements.

For the avoidance of doubt, the 2023 CB Subscription Agreements are not inter-conditional upon each other and are not inter-conditional upon the 2022 CB Subscription Agreements.

Completion

Completion will take place within the third business day after the conditions of the 2023 CB Subscription are fulfilled (or such other date as may be agreed between the respective parties).

The principal terms of the 2023 Convertible Bonds are as follows:

2023 Convertible Bonds

Issuer:	The Company
Aggregate principal amounts:	HK\$185,400,000
Interest:	Non-interest bearing
Maturity date:	5 August 2024
Security:	Unsecured
Conversion right:	The holder(s) of the 2023 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 2023 Convertible Bonds into the Conversion Shares at any time from the date of issue and up to the seventh day prior to the maturity date of the 2023 Convertible Bonds.
Conversion restriction:	The holder(s) of the 2023 Convertible Bonds shall not have the right to convert the 2023 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(s) of the 2023 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(s) of the 2023 Convertible Bonds would be obliged to make a general offer under the Takeovers Code.
Conversion price:	HK\$0.05 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 2023 Convertible Bonds may be transferred or assigned by the holder(s) of the 2023 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 2023 Convertible Bonds shall be made to any connected person of the Company (save and except for the associates of the holder(s) of the 2023 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 2023 Convertible Bonds to the holder(s) of the 2023 Convertible Bonds on the maturity date of the 2023 Convertible Bonds.
- Repurchase:** The Company or any of its subsidiaries may at any time prior to the maturity date repurchase the 2023 Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the holder(s) of the 2023 Convertible Bonds. The 2023 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 2023 Convertible Bonds at a meeting of the holder(s) of the 2023 Convertible Bonds or a written resolution signed by the holder(s) of the 2023 Convertible Bonds which amounted to three-fourths of the then outstanding principal amounts of the 2023 Convertible Bonds, the 2023 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 2023 Convertible Bonds from the date of the event of default until the actual date of payment.

Voting rights: The 2023 Convertible Bonds shall not carry any voting rights.

Listing: No application will be made by the Company for the listing of the 2023 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.

On the assumption that the 2023 Convertible Bonds would be converted into Conversion Shares in full at the initial Conversion Price, 3,708,000,000 Conversion Shares will be issued, representing (1) approximately 366.47% of the existing issued share capital of the Company, (2) approximately 78.56% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2023 Convertible Bonds (assuming that no Conversion Shares to be allotted and issued under the 2022 Convertible Bonds), and (3) approximately 55.21% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2022 Convertible Bonds and the 2023 Convertible Bonds.

(C) Conversion Price

The initial Conversion Price of HK\$0.05 per Conversion Share represents:

- (i) a premium of approximately 61.29% over the closing price of HK\$0.031 per Share as quoted on the Stock Exchange on 4 April 2022, being the date of the Subscription Agreements; and
- (ii) a premium of approximately 60.26% over the average of the closing prices of HK\$0.0312 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 4 April 2022, being the date of the Subscription Agreements.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers, taking into account of, among others, the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreements as well as the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(D) Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

(E) Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

REASONS FOR AND BENEFITS OF THE PROPOSED ISSUE OF THE CONVERTIBLE BONDS

The Company is an investment holding company. The Group is principally engaged in short-term financing services in the PRC and Hong Kong.

The 2014 Convertible Bonds and the 2015 Convertible Bonds (collectively, the “**Existing CBs**”) would mature in June 2022 and February 2023 respectively and it is not expected that the Company would have sufficient internal resources to redeem all the Existing CBs upon maturity. Taking into account the financial position of the Group and given the size of the outstanding principal amounts of the Existing CBs, the Directors consider that it is impracticable to secure third party financing on the terms that are favourable to the Company to settle them when they fall due.

In light of the current market circumstances, the holders of the Existing CBs have no intention to exercise the conversion rights attached to the Existing CBs taking into account of that the prevailing conversion price of the Existing CBs per Share is significantly higher than the current market price per Share. The Convertible Bonds bear similar salient features as the Existing CBs such as conversion restriction and essentially is an extension of the Existing CBs, except that the conversion price is adjusted to reflect the prevailing market price of the Shares which provides the Subscribers a better opportunity to convert the Convertible Bonds before the respective maturity date.

As such the Company considers that the entering into of the Subscription Agreements would be an effective way to settle the Existing CBs and the lower Conversion Price would be an incentive for the Subscribers to convert the Convertible Bonds into Shares.

As the consideration payable by the Subscribers under the Subscription Agreements will be satisfied by setting off the aggregate outstanding principal amounts of the Existing CBs, there will be no proceeds arising from the issue of the Convertible Bonds. The Directors are of the view that the entering into of the Subscription Agreements in effect enables the Company to relieve the impact on the Company's cash flow position from the Existing CBs upon respective maturity date and retain its internal funds for general working capital and to finance any potential investments opportunities as and when such opportunities arise.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms and conditions of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

On the assumption that there is no other change in the shareholding structure, set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after full conversion of the 2022 Convertible Bonds (assuming no conversion of the 2023 Convertible Bonds); (iii) immediately after full conversion of the 2023 Convertible Bonds (assuming no conversion of the 2022 Convertible Bonds); and (iv) immediately after full conversion of the 2022 Convertible Bonds and the 2023 Convertible Bonds:

	(i) As at the date of this announcement		(ii) immediately after full conversion of the 2022 Convertible Bonds (assuming no conversion of the 2023 Convertible Bonds)		(iii) immediately after full conversion of the 2023 Convertible Bonds (assuming no conversion of the 2022 Convertible Bonds)		(iv) immediately after full conversion of the 2022 Convertible Bonds and the 2023 Convertible Bonds	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Zhang Wei (Note 1)	127,377,920	12.59	127,377,920	4.23	127,377,920	2.70	127,377,920	1.90
Ms. Li Wei (Note 1)	72,652,800	7.18	72,652,800	2.42	72,652,800	1.54	72,652,800	1.08
Exuberant Global (Note 2)	—	—	—	—	3,580,000,000	75.85	3,580,000,000	53.30
Bustling Capital (Note 3)	10,000,000	0.99	1,806,800,000	60.05	10,000,000	0.21	1,806,800,000	26.90
Ms. Yip Sze Pui Fione and Mr. Hui Kwan Wah Hugo	155,330,000	15.35	155,330,000	5.16	155,330,000	3.29	155,330,000	2.31
Other 2022 Convertible Bonds and 2023 Convertible Bonds holders	—	—	200,000,000	6.65	128,000,000	2.71	328,000,000	4.88
Other Public Shareholders	646,468,513	63.89	646,468,513	21.49	646,468,513	13.70	646,468,513	9.63
Total	1,011,829,233	100.00	3,008,629,233	100.00	4,719,829,233	100.00	6,716,629,233	100.00

Note 1: Mr. Zhang Wei and Ms. Li Wei are executive Directors.

Note 2: Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the Shares held by Exuberant Global. Mr. Dai Di is the brother of Mr. Dai Hao.

Note 3: Bustling Capital is wholly and beneficially owned by Ms. Jin Yu, the spouse of Mr. Dai Hao. Accordingly, Ms. Jin Yu is deemed to be interested in the Shares held by Bustling Capital.

Note 4: In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in the Shares held by Bustling Capital. Mr. Dai Di, Mr. Dai Hao and Ms. Jin Yu is classified as the “**Dai Family**”.

Note 5: These scenarios are for illustrative purpose only. Pursuant to the terms of the Convertible Bonds, 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(s) 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(s) of the Convertible Bonds would be obliged to make a general offer under the Takeovers Code.

Note 6: Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company had not conducted any fund raising activities involving issue of its securities in the past twelve months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of net proceeds
1 December 2021	Placing of 168,000,000 placing shares at the placing price of HK\$0.155 per placing share	Approximately HK\$25.2 million. for settlement of outstanding short-term liabilities of the Company and general working capital of the Group.	Utilised as intended

GEM LISTING RULES IMPLICATIONS

Under the current practice, foreign investors are not allowed to invest by means of equity investment in any pawn loan companies in the PRC or micro-financing companies in Beijing, as such the Company's indirect wholly-owned subsidiary, 北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited*, "**Beijing Wanchi**"), has entered into a series of structured agreements (the "**Structured Agreements**") with certain PRC entities (the "**PRC Pawnbroker Entities**") and their respective legal owners such that those PRC Pawnbroker Entities will be classified as subsidiaries of the Group under the relevant accounting standards.

The registered shareholders of those PRC Pawnbroker Entities are 中金福(北京)投資管理有限責任公司 (Zhong Jinfu (Beijing) Investment Management Company Limited*), a company established in the PRC with limited liability ("**ZJF Investment**") and 雲水月投資管理(北京)有限公司 (Yun Shui Yue Investment Management (Beijing) Company Limited*), a company established in the PRC with limited liability ("**YSY Investment**") respectively. ZJF Investment and YSY Investment are owned or controlled by the Dai Family, which are also the ultimate beneficial owners of Exuberant Global and Bustling Capital. As such, each of Exuberant Global and Bustling Capital would be deemed as a connected person of the Company at its subsidiary level under Chapter 20 of the GEM Listing Rules. The entering into of the Subscription Agreements with Exuberant Global and Bustling Capital will be classified as connected transactions at the subsidiary level on the part of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.99 of the GEM Listing Rules, a connected transaction between the Company and connected person at the subsidiary level on normal commercial terms is exempt from the circular, independent financial advice and Shareholders' approval requirement if the Board has approved the transaction and the independent non-executive Directors have confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The Subscription Agreements have been approved by the Board and the independent non-executive Directors have confirmed that the terms of the Subscription are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. As such, the Subscription Agreements and the transactions contemplated thereunder shall be exempt from independent financial advice requirements.

Since the Conversion Shares will be allotted and issued under the Specific Mandate to be sought at the SGM, the Subscription Agreements and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the SGM.

* *English name is for identification purpose only*

SGM

The SGM will be held and convened for the Shareholders to consider, and if thought fit, approve the Increase in Authorised Share Capital and for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate). Any Shareholder who is interested in the Subscription shall abstain from voting on the resolution(s) to approve the Subscription Agreements and the transactions contemplated thereunder at the SGM.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for Exuberant Global and Bustling Capital and their associates, no Shareholder is interested in the Subscription Agreements and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreements and the transaction contemplated thereunder at the SGM. As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Exuberant Global and Bustling Capital and their associates hold an aggregate of 10,000,000 Shares, representing approximately 0.99% of the issued share capital of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Increase in Authorised Share Capital and no Shareholders is required to abstain from voting at the SGM approving the Increase in Authorised Share Capital.

GENERAL

A circular containing, among others, (i) the Increase in Authorised Share Capital; (ii) details of the Subscription Agreements and the Convertible Bonds; (iii) other information required under the GEM Listing Rules; and (iv) a notice convening the SGM, shall be despatched on or before 29 April 2022.

The completion of the Subscription Agreements is subject to the fulfilment of a number of conditions precedent, among others, (i) the obtaining of the approval by the Independent Shareholders (as the case may be) at the SGM; (ii) the obtaining of the approval by the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares; and (iii) the Increase in Authorised Share Capital becoming effective. Accordingly, the Subscription and the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

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

“2014 Bondholders”	the holders of the 2014 Convertible Bonds
“2014 Convertible Bonds”	the zero coupon convertible bonds due on 24 June 2022 in an aggregate principal amount of HK\$420,200,000 issued by the Company on 25 June 2014 and with outstanding principal amount of HK\$99,840,000 as at the date of this announcement
“2015 Bondholders”	the holders of the 2015 Convertible Bonds
“2015 Convertible Bonds”	the zero coupon convertible bonds due on 5 February 2023 in an aggregate principal amount of HK\$236,000,000 issued by the Company on 6 February 2015 and with outstanding principal amount of HK\$185,400,000 as at the date of this announcement
“2022 CB Subscription”	the subscription of the 2022 Convertible Bonds by the 2022 CB Subscribers
“2022 CB Subscribers”	together Bustling Capital and Choice Magic, which are also 2014 Bondholders and each a “2022 CB Subscriber”
“2022 CB Subscription Agreements”	the conditional subscription agreements entered into between the Company as issuer and each of the 2022 CB Subscribers as subscriber respectively in relation to the subscription of the 2022 Convertible Bonds
“2022 Convertible Bonds”	the zero coupon convertible bonds due on 24 December 2023 in the aggregate principal amount of HK\$99,840,000 to be issued by the Company under the 2022 CB Subscription Agreements
“2023 CB Subscription”	the subscription of the 2023 Convertible Bonds by the 2023 CB Subscribers
“2023 CB Subscribers”	together Exuberant Global and Mr. Liu, who are also 2015 Bondholders and each a “2023 CB Subscriber”

“2023 CB Subscription Agreements”	the conditional subscription agreements entered into between the Company as issuer and each of the 2023 CB Subscribers as subscriber respectively in relation to the subscription of the 2023 Convertible Bonds
“2023 Convertible Bonds”	the zero coupon convertible bonds due on 5 August 2024 in the aggregate principal amount of HK\$185,400,000 to be issued by the Company under the 2023 CB Subscription Agreements
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Bustling Capital”	Bustling Capital Limited, a company incorporated in the BVI with limited liability
“BVI”	the British Virgin Islands
“Choice Magic”	Choice Magic Limited, a company incorporated in the Republic of Seychelles with limited liability and together with its ultimate beneficial owners are Independent Third Parties
“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 GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	the conversion price per Conversion Share and initially at HK\$0.05 per Conversion Share (subject to adjustments) of the Convertible Bonds
“Conversion Shares”	the Shares to be issued and allotted upon conversion of the Convertible Bonds
“Convertible Bonds”	together the 2022 Convertible Bonds and the 2023 Convertible Bonds

“Director(s)”	the director(s) of the Company
“Exuberant Global”	Exuberant Global Limited, a company incorporated in the BVI with limited liability
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“Independent Shareholders”	Shareholders other than the Subscribers and their respective associates
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$100,000,000 divided into 2,000,000,000 Shares to HK\$1,000,000,000 divided into 20,000,000,000 Shares
“Mr. Liu”	Mr. Liu Yongli, an Independent Third Party
“PRC”	The People’s Republic of China and for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Increase in Authorised Share Capital and the Subscription Agreements
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company

“Shareholder(s)”	holder(s) of issued share(s) of the Company from time to time
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders at the SGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the 2022 CB Subscribers and the 2023 CB Subscribers
“Subscription”	the subscription of the Convertible Bonds contemplated under the Subscription Agreements
“Subscription Agreements”	the 2022 CB Subscription Agreements and the 2023 CB Subscription Agreements
“Substantial Shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“%”	percentage

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

Hong Kong, 4 April 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Ms. Li Wei; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Lee Zak Yuen and Mr. Chan Ngai Fan.

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