

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt about this Prospectus or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Capital Finance Holdings Limited (the “Company”), you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. The Prospectus Documents should not, however, be distributed, forwarded or transmitted to, into or from any jurisdiction where to do so might constitute a violation of the relevant local securities laws or regulations.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC and you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers for details of those settlement arrangements and how such arrangements may affect your rights and interests. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “16. Documents Delivered to the Registrar of Companies” in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, the Stock Exchange and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the Prospectus Documents or any other document(s) referred to above.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



**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)**

**RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES  
FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE  
ON A NON-UNDERWRITTEN BASIS**

Capitalised terms used in this cover shall have the same meanings as defined in this Prospectus.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company’s constitutional document, the Companies Law, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the GEM Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to fulfillment of the conditions of the Rights Issue as set out in the section headed “Letter from the Board — Conditions of the Rights Issue” in this Prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Friday, 12 March 2021). If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

Dealings in the Shares have been on an ex-rights basis from Thursday, 28 January 2021. Dealings in the Rights Shares in their nil-paid form will take place from Thursday, 11 February 2021 to Monday, 22 February 2021 (both days inclusive). Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form up to the latest time for the Rights Issue to become unconditional (which is expected to be 4:00 p.m. on Friday, 12 March 2021) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers. The latest time for acceptance of and payment for the Rights Shares will be 4:00 p.m. on Thursday, 25 February 2021. The procedures for acceptance and transfer of the Rights Shares are set out in the section headed “Letter from the Board — Procedures for acceptance and payment or transfer” in this Prospectus.

9 February 2021

## CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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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## EXPECTED TIMETABLE

*The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any changes will be announced in separate announcement(s) by the Company as and when appropriate.*

**2021**

**Despatch of Prospectus Documents** . . . . . Tuesday, 9 February

First day of dealing in nil-paid Rights Shares . . . . . 9:00 a.m., on  
Thursday, 11 February

Latest time for splitting of the PAL . . . . . 4:30 p.m., on  
Wednesday, 17 February

Last day of dealing in nil-paid Rights Shares . . . . . 4:00 p.m., on  
Monday, 22 February

**Latest Time for Acceptance of and  
payment for the Rights Shares** . . . . . Thursday, 25 February

Announcement of the number of the Unsubscribed Rights Shares  
and the NQS Unsold Rights Shares subject to the  
Compensatory Arrangements . . . . . Thursday, 4 March

Commencement of placing of the  
Unsubscribed Rights Shares and the  
NQS Unsold Rights Shares by the Placing Agent . . . . . Friday, 5 March

Latest time for placing of the  
Unsubscribed Rights Shares and the  
NQS Unsold Rights Shares by the Placing Agent . . . . . Friday, 12 March

Latest Time for Termination for the Rights Issue  
to become unconditional . . . . . Friday, 12 March

**Announcement of results of the Rights Issue  
(including results of the placing of the  
Unsubscribed Rights Shares and the  
NQS Unsold Rights Shares by the Placing Agent  
and the Net Gain per Unsubscribed Rights Share  
and the NQS Unsold Rights Share  
under the Compensatory Arrangements)** . . . . . Monday, 15 March

## EXPECTED TIMETABLE

2021

Despatch of certificates for fully-paid Rights Shares . . . . . Tuesday, 16 March

Expected first day of dealings in fully-paid Rights Shares . . . . . Wednesday, 17 March

Payment of Net Gain to relevant No Action Shareholders  
(if any) or NQS (if any) . . . . . Thursday, 15 April

Dates or deadlines specified in expected timetable above or in other parts of this Prospectus are indicative only and may be varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

*All times and dates stated in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.*

### **EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 25 February 2021. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 25 February 2021. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 25 February 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

## DEFINITIONS

*In this Prospectus, the following expressions have the meanings set out below unless the context requires otherwise:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 3 December 2020 in relation to, among others, the Rights Issue
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday or a day on which a tropical cyclone warning signal no. 8 or above or “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time or Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time, as the case maybe
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time
“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

## DEFINITIONS

“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 10.31(1)(b) of the GEM Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements”
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Convertible Bonds”	Convertible Bonds A and Convertible Bonds B
“Convertible Bonds A”	the unsecured convertible bonds due 2022, issued by the Company and having outstanding principal amount of HK\$288,349,000
“Convertible Bonds B”	the unsecured convertible bonds due 2023, issued by the Company and having outstanding principal amount of HK\$194,000,000
“Director(s)”	the director(s) of the Company
“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
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Intermediary”	in relation to a beneficial owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, means the beneficial owner’s broker, custodian, nominee or other relevant person who is a CCASS participant or who has deposited the beneficial owner’s shares with a CCASS participant

## DEFINITIONS

“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“Irrevocable Undertaking (Li)”	the irrevocable and unconditional undertaking given by Ms. Li in favour of the Company, details of which is set out in the paragraph headed “Irrevocable undertakings” in the letter from the Board of this Prospectus
“Irrevocable Undertaking (Zhang)”	the irrevocable and unconditional undertaking given by Mr. Zhang in favour of the Company, details of which is set out in the paragraph headed “Irrevocable undertakings” in the letter from the Board of this Prospectus
“Irrevocable Undertakings”	together the Irrevocable Undertaking (Zhang) and the Irrevocable Undertaking (Li)
“Last Trading Day”	3 December 2020, being the last full trading day of the Shares on the Stock Exchange prior to the release of the Announcement
“Latest Lodging Time”	4:30 p.m. on 29 January 2021 or such other date as the Company may agree, being the latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	2 February 2021, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 25 February 2021 or such later time or date as may be agreed by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents



## DEFINITIONS

“Latest Time for Termination”	4:00 p.m. on the first Business Day after the Latest Time for Acceptance or such later time or date as may be agreed by the Company, being the latest time to terminate the Rights Issue
“Mr. Zhang”	Mr. Zhang Wei, the Chairman, an executive Director and the Chief Executive Officer of the Company
“Ms. Li”	Ms. Li Wei, the Vice Chairlady, an executive Director and the Deputy Chief Executive Officer of the Company
“Net Gain”	any premiums paid by the Placee(s) over the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements after deduction of all reasonable expenses incurred by the Company and the Placing Agent
“No Action Shareholder(s)”	Qualifying Shareholders (excluding Mr. Zhang and Ms. Li) who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s) or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholder in respect of NQS Unsold Rights Shares)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong

## DEFINITIONS

“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders
“Placee(s)”	the placee(s) to be procured by the Placing Agent under the Placing Arrangement, who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies)
“Placing Agent”	KGI Asia Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company for the Placing Arrangement
“Placing Agreement”	the conditional placing agreement dated 3 December 2020 entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Arrangement”	the placing arrangement as contemplated under the Placing Agreement
“Posting Date”	9 February 2021, or such other day as may be agreed by the Company for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, for the purpose of this Prospectus only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	this prospectus issued to the Shareholders by the Company containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	8 February 2021 or such other date as may be agreed by the Company in writing for the determination of the entitlements under the Rights Issue

## DEFINITIONS

“Registrar”	the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the issue by way of rights on the basis of two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	up to 562,552,822 Shares to be issued and allotted under the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company held on 26 January 2021 for the purpose of approving the Rights Issue
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.135 per Rights Share
“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)
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights
“%”	Percentage

*For the purpose of this Prospectus, unless otherwise specified or the context requires others, “\*” denotes an English translation of a Chinese name and is for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

## SUMMARY OF THE RIGHTS ISSUE

*The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:*

### THE RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.135 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	281,276,411 Shares
Number of Rights Shares	:	up to 562,552,822 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	up to HK\$28,127,641.10 (assuming no change in the number of Shares in issue on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	up to 843,829,233 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Number of Rights Shares undertaken to be taken up	:	Mr. Zhang has undertaken to take up an aggregate of 45,505,280 Rights Shares (representing approximately 8.09% of the total Rights Shares provisionally allotted by the Company) pursuant to the Irrevocable Undertaking (Zhang)
		Ms. Li has undertaken to take up an aggregate of 29,175,200 Rights Shares (representing approximately 5.19% of the total Rights Shares provisionally allotted by the Company) pursuant to the Irrevocable Undertaking (Li)

## SUMMARY OF THE RIGHTS ISSUE

Maximum funds raised : up to approximately HK\$75.9 million  
before expenses (assuming all the Rights Shares will be taken up  
and no change in the number of Shares in issue  
until the Record Date)

Assuming no Shares are issued or repurchased on or before the Record Date, the aggregate 562,552,822 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES**

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Letter from the Board — Conditions of the Rights Issue” in this Prospectus.

Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed.

Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in nil-paid form are recommended to consult their professional advisers.



**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)**

*Executive Directors:*

Mr. Zhang Wei

*(Chairman and Chief Executive Officer)*

Ms. Li Wei

*(Vice Chairlady and Deputy Chief Executive Officer)*

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Director:*

Mr. Zang Wei

*Head office and principal place  
of business in Hong Kong:*

Unit 2613A, 26/F.  
Mira Place Tower A  
132 Nathan Road  
Tsimshatsui  
Kowloon, Hong Kong

*Independent non-executive Directors:*

Mr. Chen Yihua

Mr. Du Hui

Dr. Wong Wing Kuen Albert

9 February 2021

*To the Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES  
FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE  
ON A NON-UNDERWRITTEN BASIS**

**INTRODUCTION**

Reference is made to the Announcement of the Company dated 3 December 2020 whereby the Board announced that the Company proposed to conduct the Rights Issue.

The purpose of this Prospectus is to provide you with further details of the Rights Issue including information on dealings in, transfer and acceptance of the Rights Shares provisionally allotted to the Shareholders and certain financial and other information in respect of the Group.

## LETTER FROM THE BOARD

### THE RIGHTS ISSUE

The Company will implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.135 per Rights Share, to raise up to approximately HK\$75.9 million by issuing up to 562,552,822 Rights Shares to the Qualifying Shareholders (assuming no change in the number of Shares in issue on or before the Record Date).

#### Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.135 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	281,276,411 Shares
Number of Rights Shares	:	up to 562,552,822 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	up to HK\$28,127,641.10 (assuming no change in the number of Shares in issue on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	up to 843,829,233 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Number of Rights Shares undertaken to be taken up	:	Mr. Zhang has undertaken to take up an aggregate of 45,505,280 Rights Shares (representing approximately 8.09% of the total Rights Shares provisionally allotted by the Company) pursuant to the Irrevocable Undertaking (Zhang)

Ms. Li has undertaken to take up an aggregate of 29,175,200 Rights Shares (representing approximately 5.19% of the total Rights Shares provisionally allotted by the Company) pursuant to the Irrevocable Undertaking (Li)

## LETTER FROM THE BOARD

Maximum funds raised : up to approximately HK\$75.9 million  
before expenses (assuming all the Rights Shares will be taken up  
and no change in the number of Shares in issue  
until the Record Date)

Assuming no Shares are issued or repurchased on or before the Record Date, the aggregate 562,552,822 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders (excluding those Rights Shares to be provisionally allotted to Mr. Zhang and Ms. Li respectively for which subscription of Rights Shares will be subject to the Irrevocable Undertakings as set out in the paragraph headed “Irrevocable Undertakings” in this Prospectus) or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms such that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 10.26(2) of the GEM Listing Rules.



## LETTER FROM THE BOARD

### **Irrevocable Undertakings**

As at the Latest Practicable Date, Mr. Zhang, the Chairman and Chief Executive Officer of the Company, is beneficially interested in an aggregate of 22,752,640 Shares, representing approximately 8.09% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to the Irrevocable Undertaking (Zhang), Mr. Zhang has given an irrevocable undertaking in favour of the Company, that (i) he will not dispose of any of the 22,752,640 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; and (ii) he will lodge his acceptance of the 45,505,280 Rights Shares, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents.

As at the Latest Practicable Date, Ms. Li, the Vice Chairlady and Deputy Chief Executive Officer of the Company, is beneficially interested in an aggregate of 14,587,600 Shares, representing approximately 5.19% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to the Irrevocable Undertaking (Li), Ms. Li has given an irrevocable undertaking in favour of the Company, that (i) she will not dispose of any of the 14,587,600 Shares comprising the current shareholding in the Company owned by herself, and such Shares will remain beneficially owned by her up to and including the Record Date; and (ii) she will lodge her acceptance of the 29,175,200 Rights Shares, which will be the number of Rights Shares provisionally allotted to her nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents.

Based on the shareholdings of each of Mr. Zhang and Ms. Li respectively, no general offer obligation will be triggered by the Irrevocable Undertakings in accordance with the note to Rule 10.26(2) of the GEM Listing Rules and no whitewash waiver will be applied.

As at the Latest Practicable Date, save as disclosed above, the Board has not received any information from any Substantial Shareholders of their intention to take up the securities provisionally allotted or offered to them or to be provisionally allotted or offered to them.

### **Subscription Price**

The Subscription Price is HK\$0.135 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

## LETTER FROM THE BOARD

The Subscription Price represents:

- (i) a premium of approximately 4.65% over the closing price of HK\$0.129 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 4.65% over the average of the closing prices of HK\$0.129 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 1.50% over the theoretical ex-rights price of HK\$0.133 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.129 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 6.90% to the closing price of HK\$0.145 per Share as at the Latest Practicable Date; and
- (v) a premium of approximately 11.11% over the net asset value per Share of approximately HK\$0.1215 per Share (based on the unaudited consolidated net asset value of the Group as at 30 June 2020 and 281,276,411 Shares in issue).

The Subscription Price was determined with reference to, among others, the market price of the Shares under the prevailing market conditions and the amount of funds which the Company intends to raise under the Rights Issue.

The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market; (ii) the Rights issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company; and (iii) the proceeds from the Rights Issue can fulfill the funding needs of the Group.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) existing Share held by a Qualifying Shareholder as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

## LETTER FROM THE BOARD

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Non-Qualifying Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

The last day of dealing in the Shares on cum-rights basis is Wednesday, 27 January 2021. The Shares has been dealt with on an ex-rights basis from Thursday, 28 January 2021.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

### **Rights of Overseas Shareholder(s) and Non-Qualifying Shareholder(s) (if any)**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

In compliance with the necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholders.

## LETTER FROM THE BOARD

As at the Latest Practicable Date and the Record Date, there are a total of six (6) Overseas Shareholders with registered addresses in the PRC and the British Virgin Islands respectively, who hold an aggregate of 77,800,800 Shares, representing approximately 27.66% of the issued share capital of the Company. In compliance with the necessary requirements of the GEM Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholders. Based on the relevant legal advices, there is no legal or regulatory restriction under the applicable legislation of the PRC and/or the British Virgin Islands or requirement of any relevant regulatory body or stock exchange with respect to the Rights Issue. Accordingly, the Rights Issue will be extended to the Overseas Shareholder whose registered address is located in the PRC and the British Virgin Islands.

Accordingly, there are no Non-Qualifying Shareholders as at the Latest Practicable Date.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be subject to the Compensatory Arrangements.

**The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Closure of register of members**

The register of members of the Company has been closed from Monday, 1 February 2021 to Monday, 8 February 2021 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

### **Fractional entitlements to the Rights Shares**

On the basis of the entitlement to subscribe two (2) Rights Shares for every one (1) existing Share, no fractional entitlements to the Rights Shares will arise from the Rights Issue.

## LETTER FROM THE BOARD

### **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Tuesday, 16 March 2021.

### **Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements**

The Company will make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the latest time for acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis.

The Placing Agent will on a best effort basis, procure, by no later than 6:00 p.m., on Friday, 12 March 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price can be obtained. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Net Gain (if any) will be paid (without interest) on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders and Non-Qualifying Shareholders (but rounded down to the nearest cent) as set out below:

- A. where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (C) below); or

## LETTER FROM THE BOARD

- B. where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (C) below); or
- C. if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in “A” to “C” of HK\$100 or more will be paid to them in Hong Kong dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

### **Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares**

Details of the Placing Agreement are summarised as follows:

Date:	3 December 2020 (after trading hours)
Issuer:	The Company
Placing Agent:	KGI Asia Limited was appointed as the Placing Agent to procure, on a best efforts basis, places to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the placing period.  The Placing Agent is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.
Placing Period:	The period commencing from Friday, 5 March 2021 and ending on Friday, 12 March 2021 (both days inclusive).

## LETTER FROM THE BOARD

Commission and expenses:	Subject to completion of the placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 3% of the amount which is equal to the Subscription Price multiplied by the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
Placing price of the Unsubscribed Rights Shares:	The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares during the process of placement.
Places:	<p>The Unsubscribed Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).</p> <p>For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.</p>
Ranking of Unsubscribed Rights Shares:	Unsubscribed Rights Shares (when allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.
Conditions precedent of the Placing Agreement:	<p>The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions precedent being fulfilled:</p> <p>(i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares and such listing and permission not subsequently being revoked;</p>

## LETTER FROM THE BOARD

- (ii) none of the representations, warranties or undertakings contained in the Placing Agreement given by the Company being or having become untrue, inaccurate or misleading in any material respect at any time before the completion of the placing, and no factor or circumstance having arisen and nothing having been done or omitted to be done which would render any of such representations, warranties or undertakings untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing;
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof; and
- (iv) all necessary consents and approvals to be obtained on the part of the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.

In the event that the above condition, precedent have not been fulfilled on or before the latest time for termination of the Placing Agreement (i.e. Friday, 12 March 2021), all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof). Upon termination of the Placing Agreement, all rights, obligations and liabilities of the parties thereto shall cease and terminate and neither of the parties shall have any claim against the other, save for any antecedent breach under the Placing Agreement prior to such termination.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company. The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider that the terms of Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms.



## LETTER FROM THE BOARD

As explained above, the Rights Shares that are not accepted by the Qualifying Shareholders, together with the Rights Shares that the Non-Qualifying Shareholders are entitled to under the Rights Issue, will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares are successfully placed, any Net Gain over the Subscription Price will be distributed to the relevant No Action Shareholders. Any NQS Unsold Rights Shares and/or Unsubscribed Rights Shares that are not placed by the Placing Agent will not be issued by the Company.

As at the Latest Practicable Date, none of the sub-underwriters and/or Placees has been identified.

### **Application for listing of the Rights Shares**

The Company has applied to the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

The Company's debt securities is not listed or dealt in any stock exchange. Save for the Shares are listed on the GEM, the Company's equity securities is not listed in any other stock exchange.

## LETTER FROM THE BOARD

### Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong.

### Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Non-Qualifying Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasized that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

### Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfillment of the following conditions:

- (i) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents each duly certified by the Directors (or by their agents duly authorised in writing) on or before Posting Date in compliance with the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the GEM Listing Rules;
- (ii) the posting of copies of the Prospectus Documents to the Qualifying Shareholders;
- (iii) the Stock Exchange agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms;
- (iv) any subscription or purchase of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and each of the subscribers or purchasers procured by the Placing Agent shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code upon completion of the Rights Issue;
- (v) compliance with and performance of all undertakings and obligations of Mr. Zhang and Ms. Li respectively under the Irrevocable Undertakings in all material respects; and
- (vi) obtaining the Independent Shareholders' approval by way of resolution at the SGM in accordance with the GEM Listing Rules.

## LETTER FROM THE BOARD

The Company shall use its reasonable endeavours to procure the fulfillment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the conditions referred to above are not fulfilled at or before the Latest Time for Termination, the Rights Issue will not proceed.

As at the Latest Practicable Date, save for condition (vi), none of the conditions of the Rights Issue have been fulfilled.

As the Rights Issue is subject to the above conditions, it may or may not proceed. Shareholders and public investors are advised to exercise caution in dealing in the securities of the Company.

### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES**

The Rights Issue is subject to the fulfillment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed "Conditions of the Rights Issue" above.

Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed.

The Rights Issue will proceed on a non-underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. In the event the Rights Issue is undersubscribed, any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in nil-paid form are recommended to consult their professional advisers.

## LETTER FROM THE BOARD

### EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 25 February 2021. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 25 February 2021. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 25 February 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

### REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

The Group is principally engaged in short-term financing services in the PRC and Hong Kong.

The net proceeds from the Rights Issue (after deducting the estimated expenses and assuming no change in the number of Shares in issue on or before the Record Date) are estimated to be not less than approximately HK\$8 million and not more than approximately HK\$71.9 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.13 per Rights Share.

In the scenario that all the Shareholders would subscribe for the Rights Shares and/or all the Unsubscribed Rights Shares would be taken up by the Placees, the Company intends to apply the net proceeds of approximately HK\$71.9 million from the Rights Issue (i) as to up to approximately HK\$40.5 million, being approximately 56.3% of the net proceeds, towards the repayment of indebtedness of the Group, including the outstanding promissory note and the Convertible Bonds; (ii) up to approximately HK\$20 million, being approximately 27.8% of the net proceeds, towards establishment of new business on biotechnology side and business development of the Group in the PRC; and (iii) as to the remaining balance to support the ongoing working capital requirements of the Group.

## LETTER FROM THE BOARD

In the scenario that no other shareholders would subscribe for the Rights Shares, approximately HK\$8 million will be raised from the Rights Issue and the Company will apply the net proceeds from the Rights Issue (i) as to approximately HK\$5.4 million towards the repayment of the Group's promissory note with interest rate of 8% per annum, since the promissory note and interest accrued thereon would be matured and due in early February 2021 and the Company has agreed with the holder of the promissory note for an extension to 31 March 2021 and the repayment amount up to the date thereof would be adjusted to HK\$5.5 million; and (ii) as to the remaining balance (approximately HK\$2.5 million) to support the ongoing working capital requirements of the Group.

As the Rights Issue will be on a non-underwritten basis, the actual amount of the net proceeds of the Rights Issue cannot be ascertained at this point. In the event that the Rights Issue is not fully subscribed, the actual amount of the net proceeds will in any event be first applied as if in the scenario that no other shareholders would subscribe for the Rights Share, that is approximately HK\$8 million out of the actual amount of net proceeds will be applied as to approximately HK\$5.5 million towards the repayment of the Group's promissory note and approximately HK\$2.5 million to support the ongoing working capital requirement of the Group and any remaining sum available will be applied towards repayment of convertible bonds payable to its holder and investment in the new business on a pro-rata basis proportional to the proposed allocation, and any balance of the remaining proceeds will be applied towards general working capital purposes, i.e. approximately 56.3% of the net proceeds for debts repayment, approximately 27.8% of the net proceeds for investment and balance of the remaining proceeds for working capital purposes, if any, respectively.

Based on the financial budget, the net proceeds are expected to be utilized by September 2021. The intended uses of proceeds set out above will be adjusted on a pro rata basis according to the actual amount of the net proceeds to be received from the Rights Issue.

In respect of the net proceeds to be applied towards working capital requirements of the Group, it is expected that as to approximately HK\$9.5 million will be applied towards the rental, salaries and allowances and as to the remaining balances towards legal and professional expenses.

If the maximum number of Rights Shares to be allotted and issued under the Rights Issue are subscribed for and taken up in full, the net proceeds from the Rights Issue would satisfy the expected funding needs of the Company for the next 12 months, including the imminent funding needs of the Company for repayment of promissory note and settlement of interest expenses.

The Company intends to apply the new proceeds of up to approximately HK\$20 million on establishment of new business on biotechnology side. In view of (i) the rapid growth of the nicotine manufacturing industry in the PRC; and (ii) the wide application of nicotine worldwide, the Company is currently approaching for potential business opportunities in investment of nicotine manufacturing industry.

## LETTER FROM THE BOARD

If the Company resolves to set up its own manufacturing plant, the Company would seek for suitable candidates with relevant experience and qualification in nicotine manufacturing industry to assist in the management, production and daily operation. In this case, the Company would apply the proceeds of approximately HK\$20 million on (i) setting up their own manufacturing plant; (ii) acquisition of machinery and equipment; (iii) purchase of raw materials; (iv) hiring personnel including technicians and manufacturing workers in relevant industry; and (v) research and development.

If the Company proceeds with acquiring or investing in potential targets, in selecting these targets, the Company mainly assesses (i) the business strategies of the target companies, such as target customers, target market and business development plan; (ii) the background and track record of the target companies and/or their management and expertise; and (iii) the anticipated profitability of the target.

The Company is in the process of identifying potential targets and business opportunities in respect of the new business on biotechnology side as at the Latest Practicable Date. No binding agreements, arrangements or documents have been entered into by the Group in respect of the new business on biotechnology side as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has outstanding promissory note and Convertible Bonds with principal amount of approximately HK\$5 million and HK\$482 million, respectively.

The Group had cash and cash equivalent of approximately HK\$220 million, HK\$157 million, and HK\$131 million, as at 30 June 2020, 30 September 2020 and 19 November 2020 respectively, which shows that the Group's cash balance is decreasing at an average of approximately HK\$20 million and HK\$17 million per month since 30 June 2020 and 30 September 2020, respectively. Out of the Group's cash balance as at 19 November 2020 of approximately HK\$131 million, the Company anticipates that cash withdrawal of actual and potential loans to customers within the next 90 days from the Latest Practicable Date to be approximately HK\$42 million, which would further decrease the Group's cash level to approximately HK\$89 million. In view of the Group's average cash outflow of approximately HK\$17 million to HK\$20 million per month, the Company considers that there are funding needs and it is prudent for the Group to maintain sufficient cash resources to meet its operational needs and to grasp the market opportunities as explained below.

In addition, as at the Latest Practicable Date, the Company has outstanding promissory note and Convertible Bonds with principal amount totaling to approximately HK\$487 million. The Group's existing cash level as at 19 November 2020 of approximately HK\$131 million is unable to cover the promissory note and Convertible Bonds and a cash shortfall of approximately HK\$356 million exists. After the Rights Issue, assuming net proceeds of HK\$71.9 million will be raised, the cash shortfall would decrease to approximately HK\$284.1 million.

## LETTER FROM THE BOARD

Given that the Group is principally engaged in the provision of short-term financing services, it is essential for the Group to maintain a sufficient and reasonable cash buffer for operational needs. The recent cash outflows of the Group in the recent months demonstrate the strong market demand for short-term financing services and it is necessary for the Group to have sufficient funds to grasp such market opportunities in order to maximize the returns for its Shareholders. Therefore, the Directors believe that the Rights Issue is fair and reasonable, after taking into consideration of the existing cash level, operation needs and potential cash shortfall from debts.

In view of the recent economic environment including (i) the weakened global economy; and (ii) uncertainties over the outlook for the year 2021, pursuant to the tensions between the United States of America and the PRC and the COVID-19 pandemic and the Group's indebtedness position, the Board is of the view that the Rights Issue will strengthen the capital base, enhance the liquidity and lower the gearing ratio of the Company and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As such, the funding from the Rights Issue would meet the minimum requirements from intended funding needs of the Group.

The Company does consider the other alternative means of fund raising, such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. In respect of debt financing, in view that the Company has outstanding promissory note and Convertible Bonds with principal amount totaling to approximately HK\$487 million as at the Latest Practicable Date, the Company believes that it will be unlikely for the Company to obtain any debt financing at terms acceptable to the Company. In addition, it is likely that debt financiers will ask for collaterals and the Company will also have to pay interest. As such, debt financing will not meet the intention of the Company to lower the gearing ratio and to strengthen the capital base. Placing of new Shares was considered but would not be an alternative. Given that the current market capitalisation of the Company of not more than HK\$40 million as at the date of the Announcement, it is contemplated that there will be substantial dilution to the existing shareholdings in the event that the Company would raise the same amount of net proceeds by way of placing of new Shares. Moreover, placing of new Shares does not allow the Qualifying Shareholders to have the rights to participate in the fund raising exercise. The Qualifying Shareholders will also not being offered an opportunity to maintain their proportionate interests in the Company.



## LETTER FROM THE BOARD

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (ii) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, Shareholders who do not wish to take up their entitlements will not be afforded the opportunity to sell their entitled nil-paid Rights Shares on the market as an anti-dilution protection. Hence, the Rights Issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Rights Issue is on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. The Company did approach its Substantial Shareholders and also security firms for fund raising opportunities. The Company did also explore the possibility to carry out the Rights Issue on a fully underwritten basis. However, in light of market uncertainty, the Substantial Shareholders and the Placing Agent have hesitation to act as underwriter for the Rights Issue. In order to allow the Qualifying Shareholders to participate in the fund raising exercise, the Rights Issue will be conducted on a non-underwritten basis. It is further noted that Irrevocable Undertakings have been given by Mr. Zhang and Ms. Li in favour of the Company respectively, which on one hand indicate their supports to the Company and also ensure the minimum net proceeds to be received by the Company from the Rights Issue.

The Board considers that the Rights Issue will increase the capital base of the Company and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings will be diluted.**



## LETTER FROM THE BOARD

### THE CONVERTIBLE BONDS

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds which are convertible into an aggregate of 275,627,998 Shares. Since the Subscription Price was at premium over the market price per Share as at the date of the Announcement, there will be no adjustments to the conversion price and/or the number of conversion Shares to be issued under the terms of the Convertible Bonds.

Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

### CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

On the assumption that there is no other change in the shareholding structure before completion of the Rights Issue, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming all Shareholders have taken up all the entitled Rights Shares; (iii) immediately after completion of the Rights Issue (assuming none of the Shareholders (other than Mr. Zhang and Ms. Li) has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent); (iv) immediately after completion of the Rights Issue (assuming none of the Shareholders (other than Mr. Zhang and Ms. Li) has taken up any entitled Rights Shares nor any of Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent); (v) immediately after completion of the Rights Issue (assuming all Shareholders have taken up all the entitled Rights Shares) and full conversion of all Convertible Bonds; (vi) immediately after completion of the Rights Issue (assuming none of the Shareholders (other than Mr. Zhang and Ms. Li) has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent) and full conversion of all Convertible Bonds; and (vii) immediately after completion of the Rights Issue (assuming none of the Shareholders (other than Mr. Zhang and Ms. Li) has taken up any entitled Rights Shares nor any of Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent) and full conversion of all Convertible Bonds:

# LETTER FROM THE BOARD

	(i) As at the Latest Practicable Date	(ii) immediately after completion of the Rights Issue assuming all Shareholders have taken up all the entitled Rights Shares	(iii) immediately after completion of the Rights Issue (assuming none of the Shareholders (other than Mr. Zhang and Ms. Li) has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent)	(iv) immediately after completion of the Rights Issue (assuming none of the Shareholders (other than Mr. Zhang and Ms. Li) has taken up any entitled Rights Shares nor any of Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent)	(v) immediately after completion of the Rights Issue (assuming all Shareholders have taken up all the entitled Rights Shares) and full conversion of all Convertible Bonds	(vi) immediately after completion of the Rights Issue (assuming none of the Shareholders (other than Mr. Zhang and Ms. Li) has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent) and full conversion of all Convertible Bonds	(vii) immediately after completion of the Rights Issue (assuming none of the Shareholders (other than Mr. Zhang and Ms. Li) has taken up any entitled Rights Shares nor any of Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent) and full conversion of all Convertible Bonds
	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares
	%	%	%	%	%	%	%
Mr. Zhang	22,752,640	8.09	68,257,920	8.09	68,257,920	6.10	68,257,920
Ms. Li	14,587,600	5.19	43,762,800	5.19	43,762,800	3.91	43,762,800
Exuberant Global Limited (Note 2)	58,840,000	20.92	176,520,000	20.92	338,107,999	30.20	220,427,999
Time Prestige Holdings Limited (Note 3)	5,360,000	1.91	16,080,000	1.91	42,948,571	3.84	32,228,571
Bustling Capital Limited (Note 4)	13,400,000	4.76	40,200,000	4.76	107,371,428	9.59	80,571,428
<b>Public Shareholders</b>							
Places	-	-	-	-	-	-	-
Other Public Shareholders	166,336,171	59.13	499,008,513	59.13	519,008,513	46.36	186,336,171
<b>Total</b>	<b>281,276,411</b>	<b>100.00</b>	<b>843,829,233</b>	<b>100.00</b>	<b>1,119,457,231</b>	<b>100.00</b>	<b>631,584,889</b>
							<b>100.00</b>

## LETTER FROM THE BOARD

- Note 1:* These scenarios are for illustrative purpose only.
- Note 2:* Exuberant Global Limited (“**Exuberant Global**”) holds 58,840,000 Shares. Exuberant Global also holds convertible bonds convertible into 161,587,999 Shares. 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.
- Note 3:* Time Prestige Holdings Limited (“**Time Prestige**”) holds 5,360,000 Shares. Time Prestige also holds convertible bonds convertible into 26,868,571 Shares. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the Shares held by Time Prestige. 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 Limited (“**Bustling Capital**”).
- Note 4:* Bustling Capital holds 13,400,000 Shares. Bustling Capital also holds convertible bonds convertible into 67,171,428 Shares. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the Shares held by Bustling Capital. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the Shares held by Time Prestige.
- Note 5:* As at the Latest Practicable Date, each of Exuberant Global, Time Prestige and Bustling Capital does not give any undertaking as to whether to take up its entitlement under the Rights Issue.
- 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 from the date of the Announcement.

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of net proceeds
30 January 2020	Placing of 105,264,000 placing shares (equivalent to 21,052,800 Shares upon the share consolidation announced on 7 February 2020 having become effective) at the placing price of HK\$0.095 per placing share	Approximately HK\$9.4 million for settlement of outstanding short term liabilities of the Company	Used as intended

## LETTER FROM THE BOARD

### GEM LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the SGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates should abstain from voting in favour under Rule 10.29(1) and Rule 10.29A(2) of the GEM Listing Rules since there is no controlling Shareholder. As such, Mr. Zhang, Ms. Li and Mr. Zang Wei and their respective associates should abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the SGM and have been so abstained at the SGM.

The Rights Issue has been approved by the Independent Shareholders at the SGM held on 26 January 2021. As at the date of the SGM, (i) Mr. Zhang holds 22,752,640 Shares, representing approximately 8.09% of the issued share capital of the Company, and (ii) Ms. Li holds 14,587,600 Shares, representing approximately 5.19% of the issued share capital of the Company. Mr. Zang Wei and his associates and the respective associates of Mr. Zhang and Ms. Li do not hold any Shares in the Company as at the date of the SGM. Mr. Zhang and Ms. Li have abstained from voting to approve the Rights Issue and transactions contemplated thereunder at the SGM.

### PROCEDURES FOR ACCEPTANCE AND PAYMENT OR TRANSFER

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than the Latest Time for Acceptance (or, under bad weather conditions, such later time and/or date as mentioned in the section headed "Expected timetable — Effect of bad weather and/or extreme conditions on the latest time for acceptance of and payment for the Rights Shares" in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "CAPITAL FINANCE HOLDINGS LTD — PAL" and crossed "ACCOUNT PAYEE ONLY". It should be noted that unless the PAL, together with the appropriate remittance (rounding up to the nearest cent), have been lodged with the Registrar by no later than the Latest Time for Acceptance, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require the relevant person(s) to complete the incomplete PAL at a later stage.

## LETTER FROM THE BOARD

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Wednesday, 17 February 2021 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day following the surrender of the original PAL. This process is commonly referred to as splitting of nil-paid Rights Shares. It should be noted that stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares.

The PAL contains the full information regarding the procedures to be followed for Qualifying Shareholders who wish to: (i) accept their provisional allotment in full; (ii) accept only part of their provisional allotment; or (iii) renounce/transfer all or part of their provisional allotment to other party/parties. Qualifying Shareholders are advised to study the procedures set out in the PAL carefully.

The Registrar will determine the eligibility for the cash compensation as derived from the lapsed PALs after the completion of the re-registration for all re-registration request received by the Registrar on or before the latest time for acceptance of and payment for Rights Shares and by all means before the announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements is posted on the Stock Exchange's website and the Company's website. The Registrar should notify the transferee(s) of any unsuccessful re-registration as soon as possible.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" in this Letter from the Board is not fulfilled at or before 4:00 p.m. on Friday, 12 March 2021, the Rights Issue will not proceed. Under such circumstances, the monies received in respect of application for the Rights Shares will be returned to the relevant applicants or, in the case of joint applicants, to the first-named person without interest, by means of cheques to be despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Tuesday, 16 March 2021.

### **Cheques and banker's cashier's orders**

All cheques and banker's cashier's orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company.

Completion and lodgment of a PAL together with a cheque or banker's cashier's order in payment of the Rights Shares applied for will constitute a warranty that the cheque or banker's cashier's order will be honoured upon first presentation. If any cheque or banker's cashier's order is not honoured upon first presentation, the PAL is liable to be rejected and/or deemed invalid by the Company in its absolute discretion, and in the case of an acceptance of a Qualifying Shareholder's assured entitlement all such assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

## LETTER FROM THE BOARD

### Action to be taken by beneficial owners holding interests in Shares through CCASS

If you are a beneficial owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to subscribe for the Rights Shares provisionally allotted to HKSCC Nominees Limited in respect of your Shares, or sell the respective nil-paid Rights Shares or “split” those nil-paid Rights Shares and accept part of the provisional allotment and sell the remaining part, you should (unless you are a CCASS Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the acceptance, transfer and/or “splitting” of the nil-paid Rights Shares. Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected timetable” in this Prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or “splitting” by CCASS Participants of the Rights Shares provisionally allotted to CCASS stock accounts in respect of the Shares registered in the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS. Beneficial owners who are CCASS Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such beneficial owners’ interests in nil-paid Rights Shares should be dealt with.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,  
For and on behalf of the Board  
**Capital Finance Holdings Limited**  
**Zhang Wei**  
*Chairman and Executive Director*

## 1. FINANCIAL INFORMATION

Details of the financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are disclosed in the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the period ended 30 June 2020 respectively. These annual reports and the interim report are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.capitalfinance.hk>).

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.capitalfinance.hk>):

- annual report of the Company for the year ended 31 December 2017 published on 28 March 2018 (pages 58 to 135):  
<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0328/gln20180328437.pdf>
- annual report of the Company for the year ended 31 December 2018 published on 29 March 2019 (pages 61 to 153):  
<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0329/gln20190329491.pdf>
- annual report of the Company for the year ended 31 December 2019 published on 30 March 2020 (pages 70 to 166):  
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033000514.pdf>

Financial information of the Group for the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.capitalfinance.hk>):

- interim report of the Company for the six months ended 30 June 2020 published on 14 August 2020 (pages 2 to 26):  
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0814/2020081400531.pdf>

## 2. INDEBTEDNESS

### Convertible bonds

As at the close of business on 31 December 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group had outstanding zero-coupon convertible bonds in the aggregate principal amount of HK\$482,349,000 with carrying amount of the liability portion of approximately HK\$422,921,000 which comprised (i) aggregate principal amount of HK\$288,349,000 due on 24 June 2022 with carrying amount of the liability portion of approximately HK\$259,575,000; and (ii) aggregate principal amount of HK\$194,000,000 due on 5 February 2023 with carrying amount of the liability portion of approximately HK\$163,346,000. The convertible bonds, if not converted, are unsecured, unguaranteed and payable in one lump sum on their respective maturity dates at 105% of the principal amount.



**Promissory note**

As at 31 December 2020, the Group had outstanding promissory note in the principal amount of HK\$5,000,000 due on 6 February 2021 with carrying amount of approximately HK\$5,334,000. The promissory note is unsecured, unguaranteed and carry an interest rate of 8% per annum. On 29 January 2021, the Group and the holder of the promissory note with principal amount of HK\$5,000,000 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, while all other terms and conditions of the promissory note shall remain unchanged.

**Lease liabilities**

As at 31 December 2020, the Group had outstanding secured and unguaranteed lease liabilities in respect of leasehold land and buildings of approximately HK\$5,551,000 which were secured by rental deposits paid by the Group.

**Contingent liabilities**

As at 31 December 2020, the Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 December 2020.

The Directors confirm that, save as disclosed therein, there has not been any material change in the indebtedness, contingent liabilities and commitments of the Group since 31 December 2020.

**3. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the internally generated funds of the Group from its existing operating activities and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this Prospectus.



#### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the profit warning announcements of the Company dated 6 May 2020, 5 August 2020, 2 November 2020 and 4 November 2020, in particular the increase in loss as a result of the unfavorable economic environment and the extreme market and operating conditions caused by COVID-19 pandemic, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

#### 5. TRADING AND FINANCIAL PROSPECTS OF THE GROUP

As set out in the third quarterly report of the Company for the nine months ended 30 September 2020, the Group generated revenue principally from engaging in short-term financing services comprises pawn loan business, micro-financing business, entrusted loan business and financial consultancy business. Interest income from loans to customers mainly represents the interest income from entrusted loans, pawn loans and micro credit loans. Settlement gain from distressed debt assets classified in loans to customers represents gain from settlement of receivable from obligors of non-performing loans. Financial consultancy income is generated from the provision of customised financial consultancy services including the design of financing structures and solutions based on the credit portfolios of customers.

The Group's revenue decreased from approximately HK\$42.1 million for the nine months ended 30 September 2019 to approximately HK\$29.5 million for the nine months ended 30 September 2020, the financial performance of the Group's ordinary business in short-term financing services has been adversely affected by the keen competition in this industry, the US-China tensions and the COVID-19 pandemic since early 2020 whereas the growth of the short-term financing business, which are capital intensive in nature, has been restrained by government policies.

Market competition is another key factor affecting our business. Apart from the large multi-national corporate consultancy institutions with global network and local presence in the PRC, the Group faces local competition from branded medium-sized and well-established corporate consultancy firms, which offer similar range of services as our Group. The Group may not be able to compete effectively and successfully with the competitors and its results of operations may be adversely affected should such competition is being intensified.

The recent acquisition of 50% equity interests in Beijing Huayuan Sifang Asset Management Company Limited (the "BJHS"), a company principally engaged in distressed debt assets management and provision of consultancy services, has diversified the business risks of the Group.

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

As part of the Group's business strategic plan to diversify its business into high expected growth industries such as biotechnology related industries, the Group intends to apply part of the net proceeds to the establishment of new business on the biotechnology side, where the actual net proceeds from the Rights Issue permits. Please refer to the paragraph headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS" in the Letter from the Board of this Prospectus for more details.

As such, the Company considers that the net proceeds from the Rights Issue will provide the Group with additional capital to support the short-term financing services business in face of the current difficult market condition and to develop the existing short-term financing service business as well as the advancing business with a view to generating additional revenue to the Group.

The Company believes new investments made in debt assets management and provision of consultancy services and to be made in the biotechnology related industries will further diversify the business risks and will potentially bring greater return in long terms. The Company will continue to look for further investment opportunities to benefit its investors and Shareholders.



**MAZARS CPA LIMITED**  
**中審眾環(香港)會計師事務所有限公司**  
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9 February 2021

The Directors  
Capital Finance Holdings Limited  
Unit 2613A, 26/F.  
Mira Place Tower A  
132 Nathan Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

Dear Sirs,

**CAPITAL FINANCE HOLDINGS LIMITED**  
**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE**  
**COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Capital Finance Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Appendix II to the prospectus dated 9 February 2021 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the rights issue of 562,552,822 rights shares at HK\$0.135 per rights shares (the "**Rights Shares**") on the basis of two Rights Shares for every one existing share of the Company held on the rights issue record date (the "**Rights Issue**") on the Group's unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2020 as if the Rights Issue had taken place on 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020, on which an interim report has been published.

## **Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

## **Reporting Accountants' Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 (Clarified) “*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*” issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

**Mazars CPA Limited**  
*Certified Public Accountants*  
Hong Kong

# UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2020.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, as extracted from the published interim report of the Company for the six months ended 30 June 2020, with adjustments described below.

	Unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2020 HK\$'000 (Note i)	Estimated net proceeds from the Rights Issue HK\$'000 (Note ii)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue HK\$'000	Unaudited consolidated net tangible liabilities of the Group per share attributable to owners of the Company as at 30 June 2020 HK\$ (Note iii)	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after completion of the Rights Issue HK\$ (Note iv)
Rights Issue of 562,552,822					
Rights Shares	(12,530)	71,929	59,399	(0.045)	0.070

*Notes:*

- (i)      The unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2020 of approximately HK\$12,530,000 is extracted from the published interim report of the Company for the six months ended 30 June 2020.
- (ii)      The estimated net proceeds from the Rights Issue of approximately HK\$71,929,000 is calculated based on 562,552,822 Rights Shares to be issued (in the proportion of two (2) Rights Shares for every one (1) existing share held as at the Rights Issue record date) at the subscription price of HK\$0.135 per Rights Shares, after deduction of the estimated related expenses of approximately HK\$4,016,000, assuming that the Rights Issue had been completed on 30 June 2020.
- (iii)      The unaudited consolidated net tangible liabilities per share attributable to owners of the Company as at 30 June 2020 is approximately HK\$0.045, which is calculated based on the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2020 of approximately HK\$12,530,000 divided by 281,276,411 shares in issue as at 30 June 2020.
- (iv)      The unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after completion of the Rights Issue is approximately HK\$0.070, which is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK\$59,399,000 divided by 843,829,233 shares, which represents 281,276,411 shares of the Company in issue as at 30 June 2020 and 562,552,822 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of two (2) Rights Shares for every one (1) existing share held as at the Rights Issue record date), are in issue assuming that the Rights Issue had been completed on 30 June 2020.
- (v)      No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.

## 1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading.

## 2. SHARE CAPITAL

### The authorised and issued share capital of the Company

#### (i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.05 each	<u>100,000,000.00</u>
<i>Issued and fully-paid:</i>		
<u>281,276,411</u>	Shares of HK\$0.05 each	<u>14,063,820.55</u>

#### (ii) Immediately following the allotment and issue of the Rights Shares (assuming no change in the number of issued Shares and all Rights Shares are fully accepted by all Qualifying Shareholders)

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.05 each	<u>100,000,000.00</u>
<i>Issued and fully-paid:</i>		
281,276,411	Shares of HK\$0.05 each	14,063,820.55
562,552,822	Rights Shares to be allotted and issued under the Rights Issue	28,127,641.10
<u>843,829,233</u>	Shares of HK\$0.05 each	<u>42,191,461.65</u>



- (iii) *Immediately following the allotment and issue of the Rights Shares (assuming no change in the number of issued Shares and none of the Rights Shares are accepted by the Qualifying Shareholders (other than Mr. Zhang and Ms. Li))*

*Authorised:* HK\$

<u>2,000,000,000</u>	Shares of HK\$0.05 each	<u>100,000,000.00</u>
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*Issued and fully-paid:*

281,276,411	Shares of HK\$0.05 each	14,063,820.55
74,680,480	Rights Shares to be allotted and issued under the Rights Issue	3,734,024.00
<u>355,956,891</u>	Shares of HK\$0.05 each	<u>17,797,844.55</u>

All the Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Shares then in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there is no arrangement under which future dividends are/will be waived or agreed to be waived.

As at the Latest Practicable Date, save for the Convertible Bonds, the Company had no other outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into Shares.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executive's interests and short positions in shares and underlying shares

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates 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) which (i) would have to be notified to the Company and the Stock 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 required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules, were as follows:

##### *Long and short positions in Shares and underlying Shares*

Name of Director	Nature of interest	Number of Shares/ underlying Shares held	Approximately percentage or attributable percentage of shareholding
Mr. Zhang	Beneficial owner	22,752,640 (L)	8.09%
Ms. Li	Beneficial owner	14,587,600 (L)	5.19%

*(L) denotes long position*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock 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 required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(b) Substantial shareholders' interests and short positions in shares and underlying shares**

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group were as follows:

*Long and short positions in Shares and underlying Shares*

Name of substantial shareholder	Number of shares interested			Percentage of the issued share capital of the Company (Note 5)
	Direct interests	Deemed interests	Total interests	
Exuberant Global Limited (Note 1)	220,427,999	–	220,427,999	78.36%
Mr. Dai Di (Note 1)	–	220,427,999	220,427,999	78.36%
Time Prestige Holdings Limited (Note 2)	32,228,571	–	32,228,571	11.45%
Mr. Dai Hao (Notes 2 and 3)	–	112,799,999	112,799,999	40.10%
Bustling Capital Limited (Note 3)	80,571,428	–	80,571,428	28.64%
Ms. Jin Yu (Notes 2 and 3)	–	112,799,999	112,799,999	40.10%
Silver Palm Limited (Note 4)	14,285,714	–	14,285,714	5.08%
Mr. Zhang Xiaoman (Note 4)	–	14,285,714	14,285,714	5.08%

*Notes:*

- The 220,427,999 Shares held by Exuberant Global Limited (“**Exuberant Global**”) represent (i) 58,840,000 Shares; and (ii) 161,587,999 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 220,427,999 Shares held by Exuberant Global.

2. The 32,228,571 Shares held by Time Prestige Holdings Limited ("**Time Prestige**") represent (i) 5,360,000 Shares; and (ii) 26,868,571 Shares to be issued upon full conversion of the convertible bonds. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 32,228,571 Shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 80,571,428 Shares held by Bustling Capital Limited ("**Bustling Capital**").
3. The 80,571,428 Shares held by Bustling Capital represent (i) 13,400,000 Shares; and (ii) 67,171,428 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 80,571,428 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 32,228,571 Shares held by Time Prestige.
4. Silver Palm Limited ("**Silver Palm**") is wholly and beneficially owned by Mr. Zhang Xiaoman. Accordingly, Mr. Zhang Xiaoman is deemed to be interested in the 14,285,714 Shares held by Silver Palm.
5. The percentage represents the number of Shares interested divided by the number of the issued Shares as at the Latest Practicable Date.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group which is not determinable by the Company within one (1) year without payment of any compensation (other than statutory compensation).

#### 5. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**7. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**8. QUALIFICATIONS AND CONSENTS OF EXPERT**

The following are the qualifications of the experts who have given opinions or advice which are contained in this Prospectus:

<b>Name</b>	<b>Qualifications</b>
Mazars CPA Limited	Certified Public Accountants

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this Prospectus and are or may be material:

- (a) the deeds executed by the Company on 20 February 2019 to extend the maturity date of the convertible bonds issued in 2014 by 3 years from 24 June 2019 to 24 June 2022 and the convertible bonds issued in 2015 by 3 years from 5 February 2020 to 5 February 2023 respectively;
- (b) the sale and purchase agreement dated 6 December 2019 and entered into between 北京佳昭創智科技有限公司 (Beijing Fortune Front Innovative Technology Company Limited\*), a wholly foreign owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company as purchaser and two individuals as vendors in relation to the acquisition of 50% equity interests in 北京華園四方資產管理有限公司 (Beijing Huayuan Sifang Asset Management Company Limited\*) for a cash consideration of RMB30,500,000;
- (c) the placing agreement dated 30 January 2020 and entered into between the Placing Agent and the Company in relation to the placing of 105,264,000 placing shares (equivalent to 21,052,800 Shares upon the share consolidation announced on 7 February 2020 having become effective) at the placing price of HK\$0.095 per place share;
- (d) the trust agreement, subscription application form dated 28 September 2020 entered into between 拉薩嘉德財務顧問有限公司 (Lhasa Jiade Financial Consultant Company Limited\*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, as subscriber and Bohai International Trust Co., Ltd. as trustee (the “**Trustee**”) in relation to the subscription of 10 million Secondary Units of the trust fund (the “**Trust Fund**”) to be set up by the trustee amounting to RMB10 million;
- (e) the management service agreement dated 28 September 2020 and entered into between 北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited\*) (“**Beijing Wanchi**”), a wholly-foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as manager and the Trustee in relation to the appointment of Beijing Wanchi as a manager of the Trust Fund with maximum estimated management fee income of RMB5,000,000;
- (f) the Placing Agreement; and
- (g) the agreement executed by the Company on 29 January 2021 to extend the maturity date of the promissory note, with principal amount of HK\$5 million, from 6 February 2021 to 31 March 2021.

**10. EXPENSES**

The expenses in connection with the Rights Issue, including placing commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$4 million, which are payable by the Company.

**11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Head office and principal place of business in Hong Kong</b>	Unit 2613A, 26/F., Mira Place Tower A 132 Nathan Road, Tsimshatsui Kowloon, Hong Kong
<b>Authorised representatives</b>	Zhang Wei Unit 2613A, 26/F., Mira Place Tower A 132 Nathan Road, Tsimshatsui Kowloon, Hong Kong
	Kwok Ka Huen 7th Floor, Centre Point, 181-185 Gloucester Road Wanchi, Hong Kong
<b>Company secretary</b>	Ms. Kwok Ka Huen
<b>Placing Agent</b>	KGI Asia Limited 41/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong
<b>Financial Adviser to the Company</b>	AccFin Corporate Finance Limited Suite 501, 5/F., Tower B New Mandarin Plaza 14 Science Museum Road Tsim Sha Tsui, Kowloon Hong Kong

<b>Legal adviser to the Company as to Hong Kong laws</b>	Michael Li & Co. 19/F Prosperity Tower No. 39 Queen's Road Central Central Hong Kong
<b>Auditors</b>	Mazars CPA Limited Certified Public Accountants 42nd Floor, Central Plaza 18 Harbour Road, Wanchai Hong Kong
<b>Principal bankers</b>	Bank of Communications (Hong Kong) Limited 20 Pedder Street, Central, Hong Kong  The Bank of East Asia, Limited 10 Des Voeux Road Central, Hong Kong
<b>Principal share registrar</b>	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong



**Directors and Senior Management***Executive Directors*

**Mr. Zhang**, aged 52, is the Chairman, chief executive officer (the “**CEO**”), executive director and a member of the nomination committee of the Company since 1 December 2015. Mr. Zhang currently is a director of Prima Finance Holdings Limited (“**Prima Finance**”) and general manager of Beijing Wanchi, both of which are subsidiaries of the Company which were acquired by the Group in June 2014. Mr. Zhang joined Beijing Wanchi in November 2012 and was appointed as a director of Prima Finance in November 2012. Mr. Zhang has taken up the management role as the chairman/director and general manager of a number of subsidiaries of the Company. Mr. Zhang holds a diploma in banking management from Harbin University of Finance and studied the subject of law and graduated from the People’s Republic of China Communist Party Beijing City Committee Party School. Mr. Zhang has over 26 years of experience in the financial management field. Prior to joining Prima Finance and Beijing Wanchi in 2012, he held various managerial positions in banking and investment management corporations.

**Ms. Li**, aged 43, is the executive director, vice chairlady (“**Vice Chairlady**”) and deputy chief executive officer (“**Deputy CEO**”) of the Company. She has also been appointed as the compliance officer of the Company. She is a director of Fortune Front Investments Limited and Beijing Wanchi, both are subsidiaries of the Company. Ms. Li was the chief operating officer and executive director of the Company from August 2015 and July 2016 respectively, and all such roles ceased in September 2017. Ms. Li obtained a master’s degree in management from Tianjin University in the People’s Republic of China. Ms. Li is currently the executive director of China Vered Financial Holding Corporation Limited (formerly known as China Minsheng Financial Holding Corporation Limited) (stock code: 245) (“**China Vered**”), a company listed on the Main Board of the Stock Exchange. Ms. Li was also the executive vice president of China Vered from August 2018 to May 2019. Ms. Li was the executive director and the chief risk and operating officer of Ascent International Holdings Limited (stock code: 264) from September 2017 to September 2018; and the chief risk and operating officer of KEE Holdings Company Limited (stock code: 2011) from September 2017 to July 2018, which are both listed on the Main Board of the Stock Exchange.

*Non-executive Director*

**Mr. Zang Wei** (“**Mr. Zang**”), aged 44, is the non-executive director of the Company. He graduated from Nanjing University and obtained the Legal Professional Qualification Certificate issued by Ministry of Justice of the People’s Republic of China. Mr. Zang is currently the deputy general manager of the legal department of Zhong Fa Group, a company controlled by Mr. Dai Hao, Ms. Jin Yu and Mr. Dai Di who are the substantial shareholders of the Company; and the corporate governance officer of the board office of Zhong Fa Group. Mr. Zang had worked at Ecotime Real Estate (Group) Company Limited\* (永泰房地產(集團)有限公司), a subsidiary of Zhong Fa Group and had held the positions of legal supervisor for Lianyuangang Project\* (連雲港項目), legal manager, assistant manager, manager and assistant to general manager of the legal department under cost management division. Mr. Zang has more than 18 years of experience in legal practices.

*Independent Non-executive Directors*

**Mr. Chen Yihua** (“**Mr. Chen**”), aged 47, is the independent non-executive director, chairman of the nomination committee and a member of the remuneration committee and audit committee of the Company. Mr. Chen holds a bachelor’s degree in machinery manufacturing engineering from Tianjin University, the PRC. Mr. Chen has 19 years of experience in management in international express logistic industry. Mr. Chen is also familiar with import and export business in machinery and equipment. Mr. Chen held managerial position in different multinational companies, such as China National Overseas Engineering Corporation and FedEx Express-DTW Co. Ltd. Mr. Chen is currently the senior director of infrastructure and process engineering of DHL-Sinotrans International Air Courier Ltd.

**Mr. Du Hui** (“**Mr. Du**”), aged 47, is the independent non-executive director of the Company. Mr. Du is also a chairman of the remuneration committee, and a member of the audit committee and nomination committee of the Company. Mr. Du has over 15 years of experience in financial management in the PRC. Mr. Du has been the sales controller of Beijing Lanxum Technology Company Limited (“**Beijing Lanxum**”), a company listed on the Chinext of Shenzhen Stock Exchange (stock code: SHE: 300010), since December 2010. Prior to that, Mr. Du had been a financial controller in Beijing Lanxum from 2002 to November 2010. Mr. Du graduated in 1998 from Sun Yat-sen University with a bachelor’s degree of laws and graduated in 2002 from Renmin University of China, with an undergraduate degree in Accounting.

**Dr. Wong Wing Kuen Albert (“Dr. Wong”)**, aged 69, is the independent non-executive director, chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company. Dr. Wong holds a Doctor of Philosophy in Business Administration degree from the Bulacan State University, Republic of the Philippines. He is a fellow member of The Chartered Governance Institute, The Hong Kong Institute of Chartered Secretaries, The Taxation Institute of Hong Kong, Association of International Accountants and Society of Registered Financial Planners. He is a member of Hong Kong Securities Institute, The Chartered Institute of Arbitrators and The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants.

Dr. Wong is currently the principal consultant of KND Associates CPA Limited.

Dr. Wong is currently an independent non-executive director of each of Solargiga Energy Holdings Limited (Stock Code: 757), China Merchants Land Limited (Stock Code: 978), China VAST Industrial Urban Development Company Limited (Stock Code: 6166), China Medical & HealthCare Group Limited (Stock Code: 383), China Wan Tong Yuan (Holdings) Limited (Stock Code: 6966) (previously listed on the GEM of the Stock Exchange (Stock Code: 8199)) and Dexin China Holdings Company Limited (Stock Code: 2019), all companies listed on the Main Board of the Stock Exchange.

#### *Senior Management*

**Ms. Lam Fei Sui (“Ms. Lam”)**, aged 42, is the chief financial officer and authorised representative of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Ms. Lam joined the Group in July 2015. She holds a Bachelor’s Degree of arts in accountancy from The Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants. Ms. Lam has more than 15 years of experience in accounting and finance, auditing and internal audit in both Hong Kong and the PRC. Prior to joining the Group, Ms. Lam has worked for an international accounting firm and a company whose shares are listed on the Main Board of the Stock Exchange.

## **12. AUDIT COMMITTEE**

The audit committee of the Company comprises of Mr. Chen Yihua, Mr. Du Hui and Dr. Wong Wing Kuen Albert, who are independent non-executive Directors. Biographical details of them have been set out above.

The responsibilities and authorities of the audit committee of the Company shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as contained in Appendix 15 of the GEM Listing Rules (as amended from time to time) and the duty shall include relationships with the Company’s auditors, review of the Company’s financial information and oversight of the Company’s financial reporting system, risk management and internal control systems.

**13. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Kwok Ka Huen, who holds a bachelor's degree in Accounting and Finance from Leeds Metropolitan University. She is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. She possesses over 11 years of experience in the fields of accounting, auditing and tax consultancy.
- (b) The business address of the Directors, senior management and the company secretary of the Company is the same as the head office and principal place of business of the Company in Hong Kong at Unit 2613A, 26/F., Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The Company's Hong Kong branch share registrar is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this Prospectus shall prevail over the Chinese text in case of any inconsistency.

**14. LEGAL EFFECT**

This Prospectus, the PAL and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong.

**15. BINDING EFFECT**

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**16. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of this Prospectus, together with copies of the PAL and the written consent referred to in the paragraph headed "Qualifications and consents of expert" in this Appendix III, have been registered with the Registrar of Companies in Hong Kong for registration pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for public holidays) at the head office and principal place of business in Hong Kong of the Company at Unit 2613A, 26/F., Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong from the date of this Prospectus and up to and including 14 days after the date of this Prospectus:

- (a) the memorandum of continuance and bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively;
- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the unaudited pro forma financial information of the Group, the text of which is set out on pages II-4 to II-5 of this Prospectus;
- (e) the written consents as referred to in the section headed “Qualifications and consents of expert” in this appendix;
- (f) the material contracts referred to in the section headed “Material contracts” in this appendix; and
- (g) this Prospectus.