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CAPITAL REALM FINANCIAL HOLDINGS GROUP LIMITED

資本界金控集團有限公司

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

(Stock Code: 204)

ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

The Board is pleased to announce that on 31 July 2024, the Company entered into the Guoxin Agreement with the Guoxin Vendor in respect of the acquisition of 21.875% of the Guoxin Target at the consideration of HK\$70 million to be settled by the allotment and issue of the Guoxin Consideration Shares.

Completion of the Acquisition is conditional upon, among others, the passing of a resolution at the SGM to approve the Specific Mandate to allot and issue the Guoxin Consideration Shares.

A circular containing, among other things, information on the Guoxin Agreement, the issue of the Guoxin Consideration Shares and notice of the SGM will be despatched to the Shareholders as soon as practicable.

THE GUOXIN AGREEMENT

Date: 31 July 2024

Parties:

1. 國信達晟（深圳）產業發展集團有限公司 (Guoxin Dasheng (Shenzhen) Industrial Group Co. Ltd.*) as vendor;
2. The Company as purchaser.

To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Guoxin Vendor is ultimately owned by Zheng Bing, and both the Guoxin Vendor and its ultimate beneficial owner are Independent Third Parties. The Guoxin Vendor is principally engaged in commercial services.

Assets to be acquired

The Company shall acquire 21.875% of the issued shares in the Guoxin Target. After completion of the Guoxin Reorganization, the Guoxin Vendor shall hold 100% interest in the Guoxin Target which shall indirectly through its wholly owned subsidiaries hold 32% of the Guoxin Opco. After completion of the Guoxin Agreement, the effective interest of the Company in the Guoxin Opco shall be 7%.

Consideration

The consideration of HK\$70 million shall be paid to the Guoxin Vendor upon completion by the allotment and issue of the Guoxin Consideration Shares to the Guoxin Vendor.

Basis of consideration

The consideration of HK\$70 million was determined after arm's length negotiations between the Company and the Guoxin Vendor with reference to (i) the financial position of the Guoxin Opco for the year ended 31 December 2023; (ii) the profit guarantee provided by the Vendor under the Guoxin Agreement as set out under the section headed "Profit guarantee and compensation" below; and (iii) the future prospects of the business of the Guoxin Opco.

Based on the Guaranteed Profits mentioned below for the two financial years ending 31 December 2025, the average Guaranteed Profits for each financial year is RMB100 million (equivalent to approximately HK\$107 million). Based on the consideration of HK\$70 million for an effective interest of 7% in the Guoxin Opco, the market value of 100% equity interest in the Guoxin Opco is HK\$1 billion. Hence the Acquisition represents a P/E ratio of approximately 10 times, which the Directors consider to be reasonable when compared with other companies engaging in similar businesses in Mainland China.

Profit guarantee and compensation

The Vendor guarantees to the Company that the aggregate audited net profit before tax of the Guoxin Opco for the two years ending 31 December 2024 and 31 December 2025 shall be no less than RMB200 million (the “**Guaranteed Profits**”). If the aggregate actual audited net profit before tax of the Guoxin Opco for the two years ending 31 December 2024 and 31 December 2025 (the “**Actual Profits**”) shall be less than the Guaranteed Profits, the Vendor shall pay compensation (the “**Compensation**”) to the Company according to the following formula:

$$A = \text{HK\$}70,000,000 \quad x \quad \frac{\text{Guaranteed Profits} - \text{Actual Profits}}{\text{Guaranteed Profits}}$$

where A is the Compensation payable to the Company. For the avoidance of doubt, any loss recorded for any year shall reduce the profit of the other year. If the final Actual Profits shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation shall be HK\$70 million. The Vendor and the Company shall procure the completion of the audited financial statements of the Guoxin Opco for the two years ending 31 December 2024 and 31 December 2025 within 3 months after 31 December 2025. The Compensation (if any) shall be paid by the Vendor to the Company within 7 business days after determination of the Actual Profits by way of selling to the Company the relevant number of Guoxin Consideration Shares at the Issue Price and the purchase price thereof shall be set off against the Compensation payable by the Vendor to the Company. The Guoxin Consideration Shares repurchased by the Company above shall be either cancelled or held as treasury shares.

Conditions precedent

Completion of the Guoxin Agreement shall be conditional upon and subject to:

- (a) the Company in its sole opinion being satisfied with the results of its due diligence review of the assets, liabilities, operations and affairs of the Guoxin Target and its subsidiaries, and the Guoxin Opco and its subsidiaries, including but not limited to the Guoxin Reorganization;
- (b) all necessary consents and approvals required to be obtained on the part of the Guoxin Vendor, the Guoxin Target and the Company in respect of the Guoxin Agreement and the transactions contemplated thereunder having been obtained;
- (c) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Guoxin Agreement and the transactions contemplated thereunder having been obtained;

- (d) the Company's shareholders having passed a resolution at the general meeting to approve the allotment and issue of the Guoxin Consideration Shares;
- (e) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Guoxin Consideration Shares; and
- (f) the warranties set out in the Guoxin Agreement remaining true and accurate in all material respects.

If the above conditions have not been satisfied (or as the case may be, waived by the Company in respect of (a) and (f) only) on or before 5:00 p.m. on 31 July 2025, or such later date as the Guoxin Vendor and the Company may agree, the Guoxin Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

Guoxin Reorganization

Pursuant to the Guoxin Agreement, the Guoxin Vendor shall undertake a reorganization involving the Guoxin Target, its subsidiaries and the Guoxin Opco to the intent that after the Guoxin Reorganization, the Guoxin Vendor shall hold 100% interest in the Guoxin Target which shall indirectly hold 32% equity interest in the Guoxin Opco through its wholly own subsidiaries.

Completion

Completion shall take place within five business days after fulfillment of all the conditions precedent of the Guoxin Agreement or on such other date as the Guoxin Vendor and the Company shall agree.

INFORMATION ON THE GUOXIN TARGET AND GUOXIN OPCO

The Guoxin Target is a limited company incorporated in the British Virgin Islands and is wholly owned by a related party of the Guoxin Vendor. After completion of the Guoxin Reorganization, the Guoxin Vendor shall hold 100% interest in the Guoxin Target which shall indirectly hold 32% equity interest in the Guoxin Opco through its wholly owned subsidiaries. The principal business of each of the Guoxin Target and its subsidiaries are investment holding.

The Guoxin Opco and its subsidiaries are principally engaged in providing online platforms and digital services in Mainland China. Its major businesses include (i) providing automated digital services for settlement of wages and commissions payable to workers for the major players in the new economy industry such as food delivery companies; (ii) providing an

online platform and digital solutions to facilitate light equipment leasing for the construction industry by providing matching services, leasing information, contract documentations and compliance materials to both lessors and lessees; (iii) providing an online platform for mediation and dispute resolution for small and medium enterprises which includes the provision of mediators and liaison with different levels of the People's Court in China; and (iv) providing digital solutions to enterprises on financial management, tax filings and book keeping.

Set out below is the financial information of the Guoxin Opco extracted from its unaudited consolidated financial statements for the years ended 31 December 2022 and 31 December 2023:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000
Profit before taxation	11,249	33,213
Profit after taxation	10,753	30,027
Net assets	6,831	36,730

GUOXIN CONSIDERATION SHARES AND ISSUE PRICE

The Guoxin Consideration Shares will be allotted and issued at the issue price of HK\$0.47 per Share, which represents:

- (i) a discount of approximately 9.62% to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the date of the Guoxin Agreement;
- (ii) a discount of approximately 0.21% to the average closing price of approximately HK\$0.471 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares prior to the date of the Guoxin Agreement;
- (iii) premium of approximately 25% over the net asset value per Share of approximately HK\$0.376 as at 30 June 2024.

The issue price was determined after arm's length negotiation between the Company and Vendors with reference to the prevailing market price of the Shares. The Directors consider that the issue price is fair and reasonable.

The Guoxin Consideration Shares represent approximately 17.22% of the existing number of issued shares of the Company as at the date of this announcement and represent approximately 14.69% of the total number of issued shares of the Company as enlarged by the allotment and issue of the Guoxin Consideration Shares.

LOCK UP

The Vendor irrevocably undertake to the Company that none of the Guoxin Consideration Shares may be transferred, sold, the subject of any encumbrance or otherwise disposed of, from the date of allotment and issue of the Guoxin Consideration Shares until and after the Actual Profits were determined and all Compensation (if any) has been fully paid.

THE SPECIFIC MANDATE

The Guoxin Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the SGM.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Guoxin Consideration Shares. The Guoxin Consideration Shares, when issued, will rank pari passu in all respects with the existing Shares in issue.

REASONS FOR THE ACQUISITION

The Company is an investment company under Chapter 21 of the Listing Rules and makes its investments in accordance with its investment objectives and policies. The Group is principally engaged in investment holding for medium to long-term capital appreciation purposes, and investment in listed and unlisted securities.

As disclosed above, the Guoxin Opco and its subsidiaries provide online platforms and digital services to the new economy industry, the construction industry and enterprises in Mainland China. The digital economy in China has been growing in leaps and bounds. Therefore the Directors consider that the Acquisition enjoy significant growth potential. It is intended that the Acquisition will be held for medium to long term capital appreciation purpose.

The Directors are of the view that the terms and conditions of the Guoxin Agreement are fair and reasonable and the Acquisition are in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE

The following table summarises the shareholding structure of the Company as at the date of this announcement and upon issue of the Guoxin Consideration Shares (assuming that there is no other change in the share capital of the Company):

	As at the date of this announcement		Immediate after issue of Consideration Shares	
	No. of Shares	%	No. of Shares	%
Zhang Hai (<i>Note 1</i>)	25,614,000	2.96	25,614,000	2.53
Infinite Apex International Corporation (<i>Note 1</i>)	87,359,945	10.10	87,359,945	8.62
Shi Zhu (<i>Note 2</i>)	4,890,000	0.57	4,890,000	0.48
Vendor of Guoxin Target	—	—	148,936,170	14.69
Other public Shareholders	746,925,773	86.37	746,925,773	73.68
Total	<u>864,789,718</u>	<u>100.00</u>	<u>1,013,725,888</u>	<u>100.00</u>

Notes:

1. Infinite Apex International Corporation is majority owned by Mr. Zhang Hai
2. Director of the Company

GENERAL

The SGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Specific Mandate.

A circular containing, among other things, information on the Guoxin Agreement, the issue of the Guoxin Consideration Shares and notice of the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of the Guoxin Target pursuant to the Guoxin Agreement
“Board”	the Board of directors of the Company

“Company”	Capital Realm Financial Holdings Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guoxin Agreement”	the sale and purchase agreement dated 31 July 2024 made between the Guoxin Vendor and the Company relating to the sale and purchase of 21.875% of the Guoxin Target
“Guoxin Consideration Shares”	148,936,170 new Shares to be issued by the Company pursuant to the Guoxin Agreement
“Guoxin Opco”	國信雙創科技產業集團有限公司 (Guoxin Shuangchuang Technology Industry Group Co. Ltd.*), a company incorporated in Mainland China
“Guoxin Reorganization”	the proposed reorganization involving the Guoxin Target, its subsidiaries and the Guoxin Opco pursuant to the Guoxin Agreement to the intent that, after the reorganization, the Guoxin Target shall indirectly hold 32% equity interest in the Guoxin Opco through its wholly own subsidiaries
“Guoxin Target”	Global M&A Listed Alliance Co., Limited (全球併購上市聯盟有限公司), a company incorporated in the British Virgin Islands
“Guoxin Vendor”	國信達晟（深圳）產業發展集團有限公司 (Guoxin Dasheng (Shenzhen) Industrial Group Co. Ltd.*), a company incorporated in Mainland China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	a third party independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the specific mandate for the allotment and issue of the Guoxin Consideration Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate for the allotment and issue of the Guoxin Consideration Shares to be granted to the Directors by the Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules

By Order of the Board of
Capital Realm Financial Holdings Group Limited
Han Zhenghai
Joint Chairman

Hong Kong, 31 July 2024

As at the date of this announcement, the Board comprises Mr. Chan Cheong Yee and Mr. Chan Yiu Pun Clement as executive Directors; Mr. Han Zhenghai (Joint Chairman), Mr. Deng Dongping (Joint Chairman), Mr. Zhu Zhikun, Mr. Lyu Ping, Ms. Mo Xiuping and Mr. Ge Zhifu as non-executive Directors; and Ms. Mo Li, Mr. Shi Zhu, Ms. Chen Shunqing and Mr. Ding Jiasheng as independent non-executive Directors.

* *For identification purpose only*