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Capital Finance Holdings Limited

首都金融控股有限公司

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

(Stock Code: 8239)

**SUPPLEMENTAL AGREEMENT
DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF (I) THE ENTIRE EQUITY INTEREST
IN BEIJING AUTO-SERVE SOFTWARE COMPANY LIMITED*
AND
(II) THE ENTIRE ISSUED SHARE CAPITAL OF
VIBRANT YOUTH LIMITED INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE**

Financial Adviser to the Company

AMASSE CAPITAL
寶 積 資 本

Reference is made to the announcement of Capital Finance Holdings Limited (the “**Company**”) dated 13 January 2015 (the “**Announcement**”) in relation to, among other things, the acquisition of Sale Equity and Sale Shares, which involves the issue of the Consideration Shares under the General Mandate. Capitalized terms used herein shall have the same meanings as those in the Announcement unless the context otherwise requires.

* *For identification purpose only*

THE SUPPLEMENTAL AGREEMENT

On 23 January 2015 (after trading hours), the Company and the Purchasers entered into a supplemental agreement (the “**Supplemental Agreement**”) to the Agreement with the Vendors and Guarantor C, pursuant to which the parties thereof have agreed to amend certain terms in respect the payment manner of the Consideration and the settlement of the Total Guaranteed Profit. According to the Supplemental Agreement, the escrow arrangement contemplated under the Agreement has been replaced by an earn-out arrangement and the details of which are as follows:-

Consideration

The maximum Consideration is RMB55,000,000 (equivalent to approximately HK\$68,750,000) which will be satisfied by the Group in the following manners:-

- (i) an amount of RMB5,000,000 (equivalent to approximately HK\$6,250,000) will be paid in cash to Vendor A and Vendor B (or their nominee(s)) upon Completion;
- (ii) an aggregate of RMB4,000,000 (equivalent to approximately HK\$5,000,000) will be settled by the allotment and issue of 10,869,565 Consideration Shares, being the Lock-up Consideration Shares, at the Issue Price of RMB0.368 (equivalent to HK\$0.46) to Vendor C and Vendor D (or their nominee(s)) upon Completion; and
- (iii) an maximum of RMB46,000,000 (equivalent to approximately HK\$57,500,000) (the “**Earn Out Consideration**”), which will be settled by the allotment and issue of a maximum of 125,000,000 Consideration Shares (the “**Earn Out Consideration Shares**”), at the Issue Price of RMB0.368 (equivalent to HK\$0.46), to Vendor C and Vendor D (or their nominee(s)) upon fulfillment of the Total Guaranteed Profit. Details of which are as follows:-

	Upon fulfillment of 2015 Guaranteed Profit	Upon fulfillment of 2016 Guaranteed Profit
Earn Out Consideration to be paid	RMB10,514,000 (“ 2015 Earn Out Consideration ”)	RMB35,486,000 (“ 2016 Earn Out Consideration ”)
Earn Out Consideration to be allotted and issued	28,570,652 Consideration Shares (“ 2015 Earn Out Consideration Shares ”)	96,429,348 Consideration Shares (“ 2016 Earn Out Consideration Shares ”)

Profit guarantees

The Vendors and the Guarantors have severally guaranteed and warranted to the Purchasers that the audited consolidated net profit after tax of the Target Companies (the “**Actual Aggregated Profit**”), as prepared in accordance with the HKFRS, for the financial years ending 31 December 2015 and 2016 shall not be less than RMB5,500,000 (equivalent to approximately HK\$6,875,000), being 2015 Guaranteed Profit and RMB10,000,000 (equivalent to approximately HK\$12,500,000), being 2016 Guaranteed Profit, respectively.

For the purpose of determining whether the Total Guaranteed Profit has been met, the Purchasers shall procure the Target Companies to submit to the Vendors the audited consolidated financial statements of the Target Companies for the financial years ending 31 December 2015 and 2016 to be prepared in accordance with the HKFRS, as soon as possible within three months after the end of such financial years.

The Actual Aggregated Profit is defined in accordance with the following formula:

$$\begin{array}{l} \text{Actual Aggregated Profit} \\ \text{(RMB)} \end{array} = \begin{array}{l} \text{audited net profit after tax of Target Company A +} \\ \text{audited consolidated net profit after tax of Target} \\ \text{Company B} \end{array}$$

(1) For the financial year ending 31 December 2015

In the event that the Actual Aggregated Profit for the financial year ending 31 December 2015 is lower than the 2015 Guaranteed Profit, 2015 Earn Out Consideration shall be adjusted as follows:

$$\begin{array}{l} \text{2015 Adjustment} \\ \text{(in RMB)} \end{array} = \begin{array}{l} \text{(2015 Guaranteed Profit – Actual Aggregated Profit} \\ \text{for the financial year ending 31 December 2015) x} \\ \text{3.548 (Note 1)} \end{array}$$

$$\begin{array}{l} \text{Adjusted 2015 Earn Out} \\ \text{Consideration} \end{array} = \text{RMB10,514,000 – 2015 Adjustment}$$

$$\begin{array}{l} \text{Adjusted 2015 Earn Out} \\ \text{Consideration Shares} \end{array} = \begin{array}{l} \text{Adjusted 2015 Earn Out Consideration/Issue Price} \\ \text{(rounded down to the nearest Share)} \end{array}$$

Note 1: This represents the approximate P/E of the maximum of Consideration/Total Guaranteed Profit.

Where:

1. The amount of 2015 Adjustment is subject to a maximum of RMB10,514,000.

2. For the avoidance of doubt, if the Actual Aggregated Profit for the year ended 31 December 2015 exceeds 2015 Guaranteed Profit, no adjustment shall be made.
3. For the avoidance of doubt, if the Actual Aggregated Profit for the year ended 31 December 2015 is a negative figure, it should be considered as zero.

(2) For the financial year ending 31 December 2016

In the event that the Actual Aggregated Profit for the financial year ending 31 December 2016 is lower than the 2016 Guaranteed Profit, 2016 Earn Out Consideration shall be adjusted as follows:

$$\begin{aligned} \text{2016 Adjustment} &= (\text{2016 Guaranteed Profit} - \text{Actual Aggregated Profit} \\ \text{(in RMB)} &\text{ for the financial year ending 31 December 2016)} \times \\ &3.5486 \text{ (Note 2)} \end{aligned}$$

$$\begin{aligned} \text{Adjusted 2016 Earn Out} &= \text{RMB35,486,000} - \text{2016 Adjustment} \\ \text{Consideration} & \end{aligned}$$

$$\begin{aligned} \text{Adjusted 2016 Earn Out} &= \text{Adjusted 2016 Earn Out Consideration/Issue Price} \\ \text{Consideration Shares} &\text{ (rounded down to the nearest Share)} \end{aligned}$$

Note 2: This represents the approximate P/E of the maximum of Consideration/Total Guaranteed Profit.

Where:

1. The amount of 2016 Adjustment is subject to a maximum of RMB35,486,000.
2. For the avoidance of doubt, if the Actual Aggregated Profit for the year ended 31 December 2016 exceeds 2016 Guaranteed Profit, no adjustment shall be made.
3. For the avoidance of doubt, if the Actual Aggregated Profit for the year ended 31 December 2016 is a negative figure, it should be considered as zero.

The Adjusted 2015 Earn Out Consideration Shares and the Adjusted 2016 Earn Out Consideration Shares, if any, will be allotted and issued to the Vendors (or their nominee(s)) within 10 Business Days from the respective date of issue of the audited consolidated financial statements of the Target Companies for the financial years ending 31 December 2015 and 2016, respectively.

The Company will make further announcement on the performance of and any other material development of the profit guarantee as and when appropriate.

Save for the aforesaid amendments, all other terms and conditions of the Agreement remain unchanged and continue in full force and effect.

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.25. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By Order of the Board of
Capital Finance Holdings Limited
Mr. Han Jianli
Chairman and Executive Director

Hong Kong, 23 January 2015

As at the date of this announcement, the executive Directors are Mr. Han Jianli and Mr. Wong Wai Sing, the non-executive Director is Mr. Tsang Ho Ka, Eugene, and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Du Hui and Mr. Chen Yihua.

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

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