

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Capital Finance Holdings Limited (the "Company"), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**(I) MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST AND SHAREHOLDER'S LOAN OF
STAR COAL INTERNATIONAL INVESTMENT COMPANY LIMITED
AND**

(II) NOTICE OF SGM

Financial adviser to the Company



INCUCO Corporate Finance Limited

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 10 of this circular. A notice convening the SGM to be held at 11:30 a.m. on Monday, 24 August 2015 at Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong is set out on pages 21 to 22 of this circular.

A form of proxy for the SGM is enclosed. Whether or not you are able to attend the SGM, you are advised to read the notice and complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) if you so wish.

6 August 2015

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions bear the following meanings:

“Agreement”	the sale and purchase agreement dated 14 July 2015 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Announcement”	the announcement of the Company dated 14 July 2015 in relation to the Disposal
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“China Energy”	China Energy Trading Company Limited, a company incorporated in Hong Kong with limited liability, which is 90%-owned by CIFIC as at the date of the Agreement and the Latest Practicable Date
“CIFIC”	China Indonesia Friendship Coal Trading Company Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by the Target as at the date of the Agreement and the Latest Practicable Date
“Company”	Capital Finance Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Director(s)”	the director(s) of the Company from time to time
“Disposal”	the disposal of the Sale Share, representing the entire equity interest of the Target and the Sale Loan, subject to the terms and conditions of the Agreement

DEFINITIONS

“Disposal Group”	the Target and its subsidiaries, namely CIFC and China Energy
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	3 August 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Pinnacle MediCapital Limited, a company incorporated in the BVI with limited liability, and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser, and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“Sale Loan”	the shareholder’s loan, owing by the Target to the Vendor at Completion and all obligations, liabilities and debts owing or incurred by the Target Group to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which as at 30 June 2015 amounted to approximately HK\$93.78 million (inclusive of the amount of bank loan of the Disposal Group which has been repaid by the Group after 30 June 2015 and formed part of the shareholder’s loan)
“Sale Share”	the 1 ordinary share of US\$1.00, being the entire issued share capital of the Target

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Star Fantasy”	Star Fantasy International Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of Newtree Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1323)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Star Coal International Investment Company Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by the Vendor as at the date of the Agreement and the Latest Practicable Date
“Vendor”	Star Coal International Development Company Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company which holds the Sale Share prior to the Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.



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. Han Jianli
(Chairman and Chief Executive Officer)
Mr. Wong Wai Sing *(Vice-chairman)*

Independent non-executive Directors:

Mr. Kwok Kam Tim
Mr. Chen Yihua
Mr. Du Hui

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

Suites 3509-10
35/F., Tower 6
The Gateway
Harbour City
Kowloon, Hong Kong

6 August 2015

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST AND SHAREHOLDER'S LOAN OF
STAR COAL INTERNATIONAL INVESTMENT COMPANY LIMITED**

INTRODUCTION

Reference is made to the Announcement. On 14 July 2015 (after trading hours), the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan at an aggregate cash consideration of HK\$54,000,000.

As one or more of the relevant applicable percentage ratios calculated in accordance with the GEM Listing Rules are greater than 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement, circular and Shareholders' approval requirements of the GEM Listing Rules.

LETTER FROM THE BOARD

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder by way of a poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Agreement and the transactions contemplated thereunder and therefore, no Shareholder is required to abstain from voting for the resolution to approve the Agreement and the transactions contemplated thereunder at the SGM.

The purposes of this circular are to provide you with, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) general information of the Company; (iv) the notice of the SGM; and (v) other information as required under the GEM Listing Rules, in order to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the SGM.

THE AGREEMENT

Date: 14 July 2015

Vendor: Star Coal International Development Company Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: Pinnacle MediCapital Limited

The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holding.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser, and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be disposed of

Pursuant to the Agreement, the assets to be disposed by the Vendor are:

- (i) the Sale Share, representing the entire equity interest in the Target; and
- (ii) the Sale Loan at Completion, which as at 30 June 2015 amounted to approximately HK\$93.78 million.

LETTER FROM THE BOARD

Consideration

The consideration for the Disposal of HK\$54,000,000 will be settled by the Purchaser in cash to the Vendor (or its nominee(s)) at Completion.

The consideration was arrived at after arm's length negotiations between the parties to the Agreement with reference to (i) the unaudited consolidated net liabilities of the Disposal Group of approximately HK\$42.37 million as at 31 March 2015; (ii) the amount of the Sale Loan of approximately HK\$93.78 million as at 30 June 2015; and (iii) the business prospect and reasons for the Disposal as discussed in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below.

The Directors consider that the consideration for the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) the passing by the Shareholders at the SGM to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Company in respect of the Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (c) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (d) the Vendor's warranties remaining true and correct in all material respects; and
- (e) the Purchaser's warranties remaining true and correct in all material respects.

Condition (e) (to the extent it is capable of being waived) above is waivable by the Vendor under the Agreement. To the best of the knowledge of the Directors, the Vendor has no current intention to waive such condition. Condition (d) (to the extent it is capable of being waived) above is waivable by the Purchaser under the Agreement. Conditions (a), (b) and (c) are incapable of being waived by both parties to the Agreement.

LETTER FROM THE BOARD

If the conditions precedent have not been fulfilled or waived on or before 30 September 2015 (or such later date as the parties to the Agreement may agree in writing), the Vendor and the Purchaser shall not be bound to proceed with the transactions contemplated under the Agreement and the Agreement shall, save as otherwise specified in the Agreement, cease to be of any effect, save in respect of any claims arising out of any antecedent breach of the Agreement.

As at the Latest Practicable Date, no conditions precedent of the Agreement has been fulfilled.

Completion

Completion shall take place within five Business Days following the satisfaction (or waiver) of the above conditions at the principal place of business of the Vendor in Hong Kong or such other time and place as the parties to the Agreement may mutually agree.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in (i) short-term financing services in the PRC; (ii) business of coal trading between the PRC and Indonesia; and (iii) business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC.

Given the coal trading transactions are of immense quantity, the Company has continuously provided financial support to the Target Group for its business operations and has confined substantial amount of financial resources available within the Group. In view of the coal trading business has tied up huge finance resources of the Group, yet it was loss making for the two financial years ended 31 March 2014 and 2015 and this may not be improved in the near future due to the downward trend of the selling price per metric tonne of coal (i.e. dropping from USD39 per metric tonne in March 2013 to USD32 per metric tonne in March 2014, and to USD28 per metric tonne in March 2015), the Board considered the Disposal to be a good opportunity for the Group to realise the investment and allow the Group to devote more time and resources in developing other existing businesses of the Group. Subject to final decisions of the management of the Company, the net proceeds from the Disposal (after deducting the estimated expenses) of approximately HK\$53.25 million are intended to be applied as to approximately HK\$50 million for the repayment of the promissory notes issued and approximately HK\$3 million as partial repayment of the cash portion of the earn-out consideration in relation to the acquisition of the entire equity interests in and shareholder's loans of Prima Finance Holdings Limited (details of which are set out in the announcements of the Company dated 23 December 2013, 25 June 2014 and 4 February 2015), and the remaining net proceeds as general working capital of the Group. The promissory notes carry interest of 8% per annum, the early repayment of the promissory notes from such net proceeds would reduce the interest rate burden of the Group and will be in the interest of the Company.

Having considered the above, the Board considers that the terms of the Disposal to be normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION OF THE DISPOSAL GROUP

The Target is a company incorporated in the BVI and is principally engaged in investment holding. The Target currently holds 100% equity interests in CIFC, which in turn holds 90% equity interests in China Energy. CIFC is a company incorporated in the BVI with limited liability and is principally engaged in investment holding.

The principal asset of the Disposal Group is the equity interests in China Energy, which is principally engaged in the coal trading business between the PRC and Indonesia. As at the date of the Agreement and as at the Latest Practicable Date, the equity interests of China Energy was held as to 90% indirectly by the Target and 10% by Star Fantasy.

Set out below are the unaudited consolidated financial information of the Disposal Group prepared in accordance with the Hong Kong Financial Reporting Standards for the financial years ended 31 March 2014 and 31 March 2015:

	For the year ended 31 March 2014 <i>HK\$'000</i>	For the year ended 31 March 2015 <i>HK\$'000</i>
Loss before taxation	7,041	9,361
Loss after taxation	5,868	7,809

The unaudited consolidated net liabilities of the Disposal Group as at 31 March 2015 were approximately HK\$42.37 million.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will cease to have any equity interests in the Disposal Group and the coal trading business. The financial results of the Disposal Group will no longer be consolidated in the financial statements of the Group.

The Group is expected to record a gain on the Disposal of approximately HK\$4.11 million, after taken into account the unaudited consolidated net liabilities of the Disposal Group of approximately HK\$42.37 million as at 31 March 2015 and non-controlling interest of approximately HK\$3.28 million as at 31 March 2015, less the amount of the Sale Loan of approximately HK\$94.75 million as at 31 March 2015, exchange reserve of approximately HK\$0.04 million as at 31 March 2015 and the estimated expenses for the Disposal of approximately HK\$0.75 million. The actual gain as a result of the Disposal to be recorded by the Group is subject to audit and will be assessed after Completion.

Based on the unaudited consolidated financial information of the Disposal Group as at 31 March 2015, upon Completion, the Group's total assets and total liabilities will be decreased by approximately HK\$41.45 million and approximately HK\$42.32 million respectively. The decrease in the Group's total liabilities represents the external liabilities of the Disposal Group as at 31 March 2015 (mainly comprise trade and other payables) of approximately HK\$43.07 million, set-off by the increase in transaction costs payable in relation to the Disposal of approximately HK\$0.75 million.

LETTER FROM THE BOARD

The net financial effect to the Group will be an increase in net asset value of approximately HK\$0.87 million, which is the net effect of (i) the decrease in the Group's liabilities due to disposing of the Disposal Group with net liabilities of approximately HK\$42.37 million; (ii) the increase in the Group's assets due to the net cash proceeds from the Disposal of HK\$53.25 million; and (iii) the decrease in the Group's assets as a result of disposing of the Sale Loan as at 31 March 2015 of approximately HK\$94.75 million.

The Sale Loan of approximately HK\$94.75 million as at 31 March 2015 consisted of the net amount payables to the Group by the Disposal Group and secured bank borrowings (such bank borrowings have been subsequently repaid by a subsidiary of the Company on behalf of the Disposal Group after June 2015). The Sale Loan slightly decreased by approximately HK\$0.97 million to approximately HK\$93.78 million as at 30 June 2015, mainly due to partial repayment to the Vendor and the monthly repayment of secured bank borrowing by the Disposal Group during that period.

In addition, in view of the loss-making position of the Disposal Group, it is expected that the earnings of the Group after the Disposal would improve.

The actual financial effect from the Disposal will be computed based on the financial information of the Disposal Group as at Completion, and therefore would be different from the aforesaid amount.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the GEM Listing Rules are greater than 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement, circular and Shareholders' approval requirements of the GEM Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder by way of a poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Agreement and the transactions contemplated thereunder and therefore, no Shareholder is required to abstain from voting for the resolution to approve the Agreement and the transactions contemplated thereunder at the SGM.

As the Completion is subject to the fulfilment of the conditions precedent of the Agreement, the Disposal may or may not proceed. Shareholders and investors should exercise caution when dealing in securities of the Company.

SGM

Set out on pages 21 and 22 is a notice convening the SGM to be held at 11:30 a.m. on Monday, 24 August 2015 at Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) if you so wish.

RECOMMENDATION

The Directors consider that the terms of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 March 2013, 2014 and 2015 are disclosed in the 2013, 2014 and 2015 annual reports of the Company respectively which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.capitalfinance.hk>).

2. INDEBTEDNESS STATEMENT

Bank borrowings

As at 30 June 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$42,798,000 which comprised (i) a secured bank loan of approximately HK\$11,808,000 carried at interest rate of 5.25% per annum; and (ii) unsecured (guaranteed by an independent third party at a fee charged) bank loans of approximately HK\$30,990,000 carried at fixed interest rate of 6.7% per annum.

Other liabilities

As at 30 June 2015, the Group had outstanding other liabilities of approximately HK\$51,950,000 which comprised (i) unsecured, unguaranteed and interest free amount due to a non-controlling shareholder of a subsidiary of the Company of approximately HK\$1,950,000; and (ii) unsecured, unguaranteed and interest free amount due to a shareholder of the Company of HK\$50,000,000.

Convertible bonds

As at 30 June 2015, the Group had outstanding zero-coupon convertible bonds in the aggregate principal amount of HK\$623,200,000 with carrying amount of the liability portion of approximately HK\$456,672,000 which comprised (i) aggregate principal amount of HK\$387,200,000 due on 24 June 2019 with carrying amount of the liability portion of approximately HK\$291,276,000; and (ii) aggregate principal amount of HK\$236,000,000 due on 5 February 2020 with carrying amount of the liability portion of approximately HK\$165,396,000. 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 notes

As at 30 June 2015, the Group had outstanding promissory notes in the aggregate principal amount of HK\$54,000,000 with carrying amount of approximately HK\$50,620,000 which comprised (i) principal amount of HK\$4,000,000 due on 25 June 2019 with carrying amount of approximately HK\$3,715,000; and (ii) aggregate principal amount of HK\$50,000,000 due on 6

February 2020 with carrying amount of approximately HK\$46,905,000. The promissory notes are unsecured, unguaranteed and carry an interest rate of 8% per annum.

Contingent liabilities

As at 30 June 2015, the Group had no contingent liabilities.

Pledge of assets

As at 30 June 2015, the Group's investment property located in Hong Kong with aggregate carrying amount of approximately HK\$50,000,000 was pledged to a bank to secure a bank loan.

Capital commitment

As at 30 June 2015, the Group had commitment contracted but not provided for in respect of capital contribution to an investee company amounting to RMB3,500,000 (equivalent to approximately HK\$4,427,000).

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 as at 30 June 2015.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources currently available to the Group, including but not limited to internally generated funds, cash and cash equivalents, other external facilities from banks and the expected net proceeds from the Disposal, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Group will continue to be engaged in (i) short-term financing services in the PRC; and (ii) business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC.

Looking into year 2015/16, the Group will continue to strengthen the short-term financing services segment and deepen its brand image, as well as to provide more comprehensive and innovative financial solutions by utilising the financial consultancy, entrusted loan, micro-loan, pawn loan and other standardised financial products based on the existing customers' network. The Group has already obtained a money lenders licence and is planning to start the money lending business in Hong Kong in the near future, such development will depend on the market demand and environment from this industry in Hong Kong.

Moreover, internet financing services are expected to be a new source of growth for the Group in the future, with the belief that it will not only expand the customer base beyond geographical boundaries, but also broaden the sources of funds of the Group and enrich its service portfolio. Given the newly acquired Beijing Auto-serve Software Company Limited is benefit for the Group to combine the advantages of its customer base, financial services and the sophisticated technological softwares, the Group will make the best use of such synergy effect in the area of internet financing services to improve the efficiency of risk management and establish a superior technological platform for the Group's business in short-term financing services.

In addition, due to the encouragement from the PRC government to the industry, the Group is still optimistic about the development of the short-term financing services business and development and sales of enterprise software businesses for financial sectors in the PRC, regardless of the recent continuous reduction in the benchmark lending rate and the lowering of reserve requirement ratio as announced by the PRC which are expected to have negative impacts on the short-term financing services in short run.

Meanwhile, the business diversification strategy of the Group remains unchanged. The Group may also consider to expand its business further in short-term financing services while continuously seeking potential investment opportunities so as to maximise the returns for the Shareholders in a prudent and pragmatic manner, with an aim to becoming one of the leading financing services providers in the PRC.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions 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 were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding (%)
Mr. Wong Wai Sing (<i>Note</i>)	Beneficial owner	36,400	0.003
	Interest in controlled corporations	3,075,676	0.266

Note: Mr. Wong Wai Sing is the vice-chairman of the Company and an executive Director. Out of the 3,075,676 Shares, 75,676 Shares are held by Ming Kei International Holding Company Limited, a company which is wholly and beneficially owned by Mr. Wong Wai Sing, and 3,000,000 Shares are held by Twin Star Global Limited, a company which is 50% owned by Mr. Wong Wai Sing. Accordingly, he is deemed to be interested in the aggregate of 3,075,676 Shares held by Ming Kei International Holding Company Limited and Twin Star Global Limited.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares, debentures or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders and other person's interests and short position in the Shares and underlying Shares

As at the Latest Practicable Date, save as disclosed below, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares and the register of interests kept by the Company under section 336 of the SFO and as far as was known to the Directors, no person other than a Director whose interests are disclosed above, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

Long positions in the Shares

Name of substantial Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding (%)
Exuberant Global Limited (Note 1)	Beneficial owner	1,384,571,429	119.92
Mr. Dai Di (Note 1)	Interest in a controlled corporation	1,384,571,429	119.92
Time Prestige Holdings Limited (Note 2)	Beneficial owner	161,142,857	13.96
Mr. Dai Hao (Notes 2 and 3)	Interest in a controlled corporation	563,999,999	48.85
Bustling Capital Limited (Note 3)	Beneficial owner	402,857,142	34.89
Ms. Jin Yu (Notes 2 and 3)	Interest in a controlled corporation	563,999,999	48.85
Silver Palm Limited (Note 4)	Beneficial owner	71,428,571	6.19
Mr. Wang Jia Sheng (Note 4)	Interest in a controlled corporation	71,428,571	6.19

Notes:

1. The 1,384,571,429 Shares held by Exuberant Global Limited represent (i) 174,200,000 Shares; and (ii) 1,210,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global Limited is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,384,571,429 Shares held by Exuberant Global Limited.
2. The 161,142,857 Shares held by Time Prestige Holdings Limited represent (i) 26,800,000 Shares; and (ii) 134,342,857 Shares to be issued upon full conversion of the convertible bonds. Time Prestige Holdings Limited is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital Limited.
3. The 402,857,142 Shares held by Bustling Capital Limited represent (i) 67,000,000 Shares; and (ii) 335,857,142 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital Limited is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 402,857,142 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 161,142,857 Shares held by Time Prestige Holdings Limited.
4. Silver Palm Limited is wholly and beneficially owned by Mr. Wang Jia Sheng. Accordingly, Mr. Wang Jia Sheng is deemed to be interested in the 71,428,571 Shares held by Silver Palm Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 March 2015 (being the date to which the latest published audited 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.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors and his or her respective associates was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors and his or her associates were appointed to represent the interests of the Company and/or the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors or the proposed Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group excluding contracts expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

5. MATERIAL CONTRACTS

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

- (a) the conditional sale and purchase agreement dated 23 December 2013 entered into among Star Capital Global Limited (a direct wholly-owned subsidiary of the Company) as purchaser, Mr. Wong Wai Sing as purchaser's guarantor, Exuberant Global Limited, Bustling Capital Limited and Time Prestige Holdings Limited as vendors, and Mr. Dai Di as vendors' guarantor (supplemented by the extension letter dated 19 May 2014) in relation to the acquisition of the entire equity interest in and shareholder's loans of Prima Finance Holdings Limited at a maximum consideration of HK\$900 million (comprising the initial consideration of HK\$564 million and the earn-out consideration of HK\$336 million), satisfied by (i) a maximum of HK\$100 million by issue of the promissory notes; (ii) a maximum of HK\$93.8 million by way of allotment and issue of the consideration Shares at the issue price of HK\$0.35 per Share; (iii) a maximum of HK\$656.2 million by way of issue of the convertible bonds with conversion price of HK\$0.35 per Share; and (iv) a maximum of HK\$50 million in cash, which was completed on 25 June 2014;
- (b) the placing agreement dated 8 May 2014 entered into between the Company, as issuer, and Emperor Securities Limited, as placing agent, in relation to the placing of 44,500,000 new Shares at HK\$0.45 per Share on a best efforts basis, which was completed on 22 May 2014;
- (c) the conditional sale and purchase agreement dated 5 September 2014 entered into among Star Trading International Development Company Limited (an indirect wholly-owned subsidiary of the Company) as vendor, Mr. Wong Wai Sing as vendor's guarantor and Worldtrade Access Limited as purchaser in relation to the disposal of the sale share and sale loan of Star Trading International Investment Company Limited at an aggregate cash consideration of HK\$20 million, which was completed simultaneously on the date of the agreement;
- (d) the conditional sale and purchase agreement dated 13 January 2015 (and the supplemental agreement dated 23 January 2015) entered into between the Company, 北京萬馳科技有限公司 (transliterated as Beijing Wanchi Technology

Company Limited) and United Tone Investments Limited as purchasers, Mr. Xi Benye, Ms. Wang Yan, Success Yields Limited and Perennial Fortune Limited as vendors, Mr. Xi Benye, Ms. Wang Yan and Mr. Huang Shanchun as vendors' guarantors in relation to the acquisition of the entire equity interest in 北京奧拓思維軟件有限公司(transliterated as Beijing Auto-serve Software Company Limited) and entire issued share capital of Vibrant Youth Limited at a maximum consideration of RMB55 million by cash and by the issue and allotment of the consideration shares at the issue price of RMB0.368 per Share, which was completed on 13 March 2015;

- (e) the placing agreement dated 10 March 2015 entered into between the Company, as issuer, and Metro Capital Securities Limited, as placing agent, in relation to the placing of up to 51,800,000 new Shares at HK\$0.58 per Share on a best efforts basis, which was completed on 24 March 2015;
- (f) the conditional sale and purchase agreement dated 9 June 2015 entered into between Star International Business Development Company Limited, (an indirect wholly-owned subsidiary of the Company), as vendor, and Dynamic Harbour Limited, as purchaser, in relation to the disposal of the entire equity interest and shareholder's loan of Foremost Star Investments Limited at an aggregate cash consideration of HK\$52 million, which was completed on 10 July 2015;
- (g) the subscription agreement dated 12 June 2015 entered into between the Company, as issuer, and Premier Business Limited, as subscriber, in relation to the subscription for 29,270,000 new Shares at HK\$0.41 per Share, which was completed on 24 June 2015; and
- (h) the Agreement.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance which was known to the Directors to be pending or threatened against any member of the Group.

7. GENERAL

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East Hong Kong.

- (d) The compliance officer of the Company is Mr. Han Jianli, the Chairman and executive Director.
- (e) The company secretary of the Company is Ms. Tsang Pui Yee, a member of the Hong Kong Institute of Certified Public Accountants.
- (f) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

8. AUDIT COMMITTEE

The Audit Committee was established on 26 October 2002 with specific written terms of reference which set out its authorities and duties. The terms of reference of the Audit Committee are available on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.capitalfinance.hk>).

The Audit Committee performs, amongst others, the following roles and functions:

- ensure that co-operation is given by the Company's management to the external auditor where applicable;
- review the Group's quarterly, half-yearly and annual results announcements and reports and the financial statements prior to their recommendations to the Board for approval;
- review the effectiveness of the Group's financial reporting process and internal control system; and
- review of transactions with connected persons (if any).

As at the Latest Practicable Date, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Kwok Kam Tim, Mr. Chen Yihua and Mr. Du Hui. Their respective biographical background are set out below:

Mr. Kwok Kam Tim ("**Mr. Kwok**"), aged 38, is an independent non-executive Director and the chairman of the remuneration committee and audit committee and a member of nomination committee of the Company. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Kwok holds a bachelor's degree of engineering in electronics engineering from the Hong Kong University of Science and Technology, a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University and a master's degree of corporate governance from the Hong Kong Polytechnic University. Mr. Kwok has over 13 years of experience in accounting and financial managements and previously worked in an international accounting firm. Mr. Kwok is currently a financial controller of Loudong General Nice Resources (China) Holdings Limited, a company listed on the main board of the Stock

Exchange (“**Main Board**”) (stock code: 988). Mr. Kwok is also an independent non-executive director of Newtree Group Holdings Limited, a company listed on Main Board (stock code: 1323).

Mr. Chen Yihua (“**Mr. Chen**”), aged 41, is an independent non-executive Director and the 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 of machinery manufacturing engineering from Tianjin University, the PRC. Mr. Chen has 14 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 positions 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 41, is an independent non-executive Director. Mr. Du is also a member of the remuneration committee, audit committee and nomination committee of the Company. Mr. Du has over 11 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 October 2009. 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 a bachelor’s degree of Accounting.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 March 2014 and 2015;
- (c) the material contracts referred to in the section headed “Material Contracts” of this appendix; and
- (d) this circular.



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**Meeting**”) of Capital Finance Holdings Limited (the “**Company**”) will be held at 11:30 a.m. on Monday, 24 August 2015 at Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the conditional sale and purchase agreement dated 14 July 2015 (the “**Agreement**”) and entered into between Star Coal International Development Company Limited, an indirect wholly-owned subsidiary of the Company, as vendor, and Pinnacle MediCapital Limited as purchaser (the “**Purchaser**”), in respect of the sale and purchase of the entire equity interest and shareholder’s loan in Star Coal International Investment Company Limited at a consideration of HK\$54,000,000 (a copy of the Agreement has been produced to the Meeting and marked “A” and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to, the Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 6 August 2015

NOTICE OF SGM

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suites 3509-10, 35/F.
Tower 6, The Gateway
Harbour City
Kowloon, Hong Kong

Notes:

- (i) All resolution at the meeting shall be taken by poll pursuant to the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange Hong Kong Limited and the results of the poll will be published on the websites of GEM and the Company in accordance with the GEM Listing Rules.
- (ii) Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares (the “**Share(s)**”) of the Company may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
- (iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (iv) To be valid, the instrument appointing a proxy and (if required by the board of the directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (v) No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting in cases where the meeting was originally held within 12 months from such date.
- (vi) Where there are joint holders of any Shares, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (vii) Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting if the member so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (viii) If typhoon signal no. 8 or above, or a “black” rainstorm warning is in effect any time after 8:00 a.m. on the date of the SGM, the SGM will be postponed. Members may visit the website of the Company at www.capitalfinance.hk for details of the postponement and alternative meeting arrangement.