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CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES, SHARE PREMIUM REDUCTION AND SUB-DIVISION OF UNISSUED SHARES

The Company proposes to implement (i) the Capital Reduction involving the reduction of the par value of each issued Share from HK\$0.20 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.19 per issued Share so that following such reduction, each issued Share with a par value of HK\$0.01 in the share capital of the Company shall become one (1) New Share; and (ii) the Share Premium Reduction involving the reduction of the amount standing to the credit of the Share Premium Account. The credit arising from the Capital Reduction and the Share Premium Reduction will be applied towards offsetting the Accumulated Losses as at the effective date of the Capital Reduction, thereby reducing the Accumulated Losses. The balance of the credit (if any) of the Share Premium Account after offsetting the Accumulated Losses may be applied by the Company in any manner as permitted by all applicable laws and the memorandum and articles of association of the Company.

Immediately following the Capital Reduction becoming effective, each authorised but unissued Share will be sub-divided into 20 unissued New Shares with a par value of HK\$0.01 each.

* *For identification purpose only*

As at the date of this announcement, 231,264,988 Shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 231,264,988 issued Shares will be reduced from HK\$0.20 to HK\$0.01 per issued Share by cancelling the paid-up share capital to the extent of HK\$0.19 per issued Share by way of a reduction of capital, so as to form issued New Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$46,252,997.60 will be reduced by HK\$43,940,347.72 to HK\$2,312,649.88.

The Capital Reduction, the Share Premium Reduction and the Sub-division are conditional upon fulfillment of the conditions contained in the section headed "Conditions of the Capital Reduction, the Share Premium Reduction and the Sub-division" in this announcement.

A circular containing, among other matters, details of the Capital Reduction, the Share Premium Reduction and the Sub-division, together with a notice of EGM and the related proxy form, will be sent to the Shareholders on or before Monday, 21 February 2022.

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES, SHARE PREMIUM REDUCTION AND SUB-DIVISION OF UNISSUED SHARES

As at the date of this announcement, the authorised share capital of the Company is HK\$300,000,000 divided into 1,500,000,000 Shares, of which 231,264,988 Shares have been issued and are fully paid or credited as fully paid. The Board proposes the Capital Reduction, the Share Premium Reduction and the Sub-division to be implemented in the following manner:

- (i) the par value of each of the issued Shares be reduced from HK\$0.20 to HK\$0.01 per issued Share by cancelling the paid-up share capital to the extent of HK\$0.19 per issued Share;
- (ii) the reduction of the amount standing to the credit of the Share Premium Account, which shall be effective when the Capital Reduction becomes effective;
- (iii) the credit arising from the Capital Reduction and the Share Premium Reduction will be applied towards offsetting the accumulated losses of the Company (the "**Accumulated Losses**") as at the effective date of the Capital Reduction in a manner as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate. The balance of the credit (if any) of the Share Premium Account after offsetting the Accumulated Losses will be applied by the Company in any manner as permitted by all applicable laws and the memorandum and articles of association of the Company;
- (iv) immediately following the Capital Reduction, each of the authorised but unissued Shares with par value of HK\$0.20 each be sub-divided into 20 New Shares with par value of HK\$0.01 each; and

- (v) each of the New Shares arising from the Capital Reduction and the Sub-division shall rank *pari passu* in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reduction and the Sub-division become effective, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reduction and the Sub-division becoming effective
Par value	HK\$0.20 per Share	HK\$0.01 per New Share
Amount of the authorised share capital	HK\$300,000,000	HK\$300,000,000
Number of authorised shares	1,500,000,000	30,000,000,000
Amount of the issued share capital	HK\$46,252,997.60	HK\$2,312,649.88
Number of issued shares	231,264,988 Shares	231,264,988 Shares

As at the date of this announcement, 231,264,988 Shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 231,264,988 issued Shares will be reduced from HK\$0.20 to HK\$0.01 per issued Share by cancelling the paid-up share capital to the extent of HK\$0.19 per issued Share by way of a reduction of capital, so as to form issued New Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$46,252,997.60 will be reduced by HK\$43,940,347.72 to HK\$2,312,649.88.

Reasons for and effects of the Capital Reduction, the Share Premium Reduction and the Sub-division

The proposed Capital Reduction and Sub-division will enable the par value of the Shares to be reduced from HK\$0.20 to HK\$0.01 each. The credit arising from the Capital Reduction and the Share Premium Reduction will be applied towards offsetting the Accumulated Losses as at the effective date of the Capital Reduction, thereby reducing the Accumulated Losses. The balance of the credit (if any) of the Share Premium Account after offsetting the Accumulated Losses may be applied by the Company in any manner as permitted by all applicable laws and the memorandum and articles of association of the Company.

The Board is of the opinion that the proposed Capital Reduction and Share Premium Reduction will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

Since the Shares were trading below par value recently and are currently trading very near to par value, the Board considers that the Capital Reduction and the Sub-division will enable the nominal or par value of the Shares to be reduced from HK\$0.20 to HK\$0.01 each, for the purpose of further enhancing flexibility to the Company to issue new shares in the future given that the Company is not permitted, without order of the Court, to issue new shares below their nominal or par value. It is important for Shareholders to note that, at this stage, there can be no assurance that any dividends will be declared or paid in the future, or that the Company will issue New Shares, even if the Capital Reduction and the Sub-division take effect.

As such, the Directors are of the view that the Capital Reduction, the Share Premium Reduction and the Sub-division are in the best interests of the Company and its Shareholders as a whole.

Save for applying the credit arising from the Capital Reduction towards offsetting the Accumulated Loss and the expenses to be incurred in relation to the Capital Reduction, the Share Premium Reduction and the Sub-division, the Directors consider that the Capital Reduction, the Share Premium Reduction and the Sub-division will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

Conditions of the Capital Reduction, the Share Premium Reduction and the Sub-division

The Capital Reduction, the Share Premium Reduction and the Sub-division are conditional on the following conditions being fulfilled:

- (i) the Shareholders' approval by way of special resolution at the EGM to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reduction, the Share Premium Reduction and the Sub-division;
- (ii) an order being made by the Court confirming the Capital Reduction;
- (iii) compliance with any terms and conditions which the Court may impose for the Capital Reduction to be effective;
- (iv) registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (v) the Listing Committee granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Sub-division.

The Capital Reduction, the Share Premium Reduction and the Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reduction, the Share Premium Reduction and the Sub-division at the EGM, the legal advisers to the Company (as to Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed.

Listing and dealings in the New Shares

Application will be made to the Listing Committee for the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Sub-division.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as 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 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.

None of the share capital or debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Free exchange of certificates for New Shares

As the Court hearing date(s) has yet to be fixed, the effective date of the Capital Reduction is not ascertainable at present. Should the Capital Reduction and the Sub-division become effective, Shareholders may submit existing certificates for the Shares (in red colour) to the Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for exchange, at the expense of the Company, within one month from the effective date of the Capital Reduction and the Sub-division, for certificates for the New Shares (in grey colour). Details of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reduction and the Sub-division is ascertained.

All existing certificates of the Shares will continue to be evidence of title to such Shares and be valid for delivery, trading and settlement purpose.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Capital Reduction, the Share Premium Reduction and the Sub-division. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Capital Reduction, the Share Premium Reduction and the Sub-division and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates refer to the Hong Kong local times and dates unless otherwise stated in this announcement.

Event	Time and Date 2022
Despatch date of circular with notice of the EGM	on or before Monday, 21 February
Latest time for lodging share transfer in order to qualify for attending and voting at the EGM	4:30 p.m. on Wednesday, 9 March
Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive)	Thursday, 10 March to Tuesday, 15 March
Latest time for lodging forms of proxy for the EGM	11:00 a.m. on Sunday, 13 March
Date and time of the EGM	11:00 a.m. on Tuesday, 15 March
Announcement of voting results of the EGM	Tuesday, 15 March
The following events are conditional on the results of the EGM and the approval from the Court and therefore the dates are tentative:	
Court hearing of petition to confirm the Capital Reduction	Wednesday, 15 June (Cayman Islands time)
Registration of court order confirming the Capital Reduction and the minute of the order of the Capital Reduction with the Registrar of Companies in the Cayman Islands	Wednesday, 22 June (Cayman Islands time)
Expected effective date of the Capital Reduction, the Share Premium Reduction and the Sub-division	Before 9:00 a.m. on Thursday, 23 June

Event	Time and Date 2022
Commencement of dealing in the New Shares	9:00 a.m. on Thursday, 23 June
First day of free exchange of existing share certificates for new share certificates for the New Shares	Thursday, 23 June
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Monday, 25 July

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Capital Reduction, the Share Premium Reduction and the Sub-division. A circular containing, among other things, further details of the Capital Reduction, the Share Premium Reduction and the Sub-division, together with a notice convening the EGM and the related proxy form, will be despatched by the Company to the Shareholders on or before Monday, 21 February 2022.

As no Shareholders have a material interest in the Capital Reduction, the Share Premium Reduction and the Sub-division, no Shareholders will be required to abstain from voting on the resolutions to approve the Capital Reduction, the Share Premium Reduction and the Sub-division.

DEFINITIONS

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

“Board”	the board of Directors
“Capital Reduction”	the reduction of the issued share capital of the Company by reducing the par value of each issued Share from HK\$0.20 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.19 per issued Share
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time

“Companies Act”	the Companies Act (2021 Revision) of the Cayman Islands, as consolidated and revised
“Company”	China Financial Leasing Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 2312)
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Capital Reduction, the Share Premium Reduction and the Sub-division
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the Sub-division becoming effective
“Share(s)”	ordinary share(s) with par value of HK\$0.20 each in the share capital of the Company prior to the Capital Reduction and the Sub-division becoming effective
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of the amount standing to the credit of the Share Premium Account

“Share Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, the address of which is at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Shareholder(s)”	the holder(s) of the Share(s) or the New Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the sub-division of each authorised but unissued Share into 20 unissued New Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

For and on behalf of the Board
CHINA FINANCIAL LEASING GROUP LIMITED
Lui Cheuk Hang Henri
Executive Director

Hong Kong, 27 January 2022

As at the date of this announcement, the Board comprises Mr. Lui Cheuk Hang Henri as executive Director, Mr. Lam Wai Tsin, Mr. Luk Chi Shing and Mr. Hui Yat On as independent non-executive Directors.