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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)

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

Financial adviser to the Company



INCUCO Corporate Finance Limited

THE AGREEMENT

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.

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

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 grant of 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(s) to approve the Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) the financial information and other information of the Group; (iii) other information as required under the GEM Listing Rules; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders on or before 12 August 2015 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

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

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. Set out below are the principal terms of the Agreement:

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 investments 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.

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. 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.

If the conditions precedent have not been fulfilled on or before 30 September 2015 (or such later date as the parties 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 cease to be of any effect, save in respect of any claims arising out of any antecedent breach of the Agreement.

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 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.

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 sold, 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 business of the Group. The net proceeds from the Disposal (after deducting the estimated expenses), of approximately HK\$53.25 million are intended to be applied as general working capital and/or subject to final decisions of the management of the Company, for the repayment of the promissory notes issued and 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). 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.

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 business of coal trading between the PRC and Indonesia. As at the date of this announcement, 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	For the year ended 31 March 2015
	<i>HK\$'000</i>	<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 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.

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 grant of 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(s) to approve the Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) the financial information and other information of the Group; (iii) other information as required under the GEM Listing Rules; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders on or before 12 August 2015 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

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

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Agreement”	the sale and purchase agreement dated 14 July 2015 and entered into between the Vendor and the Purchaser in relation to the Disposal
“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 CIFC as at the date of this announcement
“CIFC”	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 this announcement
“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

“Disposal Group”	the Target and its subsidiaries, namely CIFIC 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
“PRC”	the People’s Republic of China, which for the purpose of this announcement, 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
“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 (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 this announcement
“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
“%”	per cent

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

Hong Kong, 14 July 2015

As at the date of this announcement, the executive Directors are Mr. Han Jianli and Mr. Wong Wai Sing 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 “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company’s website at <http://www.capitalfinance.hk>.