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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)

**PLACING OF NEW SHARES UNDER GENERAL MANDATE AND
POTENTIAL SHARE CONSOLIDATION**

Placing Agent



KGI Asia Limited

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 30 January 2020 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Placers who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 105,264,000 Placing Shares at the Placing Price of HK\$0.095 per Placing Share.

The maximum of 105,264,000 Placing Shares represent (i) approximately 8.09% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.48% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

The Placing Price of HK\$0.095 per Placing Share represents:

- (a) a discount of approximately 15.93% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on 30 January 2020, being the date of the Placing Agreement; and

- (b) a discount of approximately 15.18% to the average closing price of HK\$0.112 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Shares will be allotted and issued pursuant to the General Mandate and is not subject to further Shareholders' approval. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Assuming all the Placing Shares are fully placed, the gross proceeds from the Placing will be HK\$10.0 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission and all relevant expenses) incidental to the Placing of approximately HK\$0.6 million, are estimated to be approximately HK\$9.4 million. The Company intends to apply the net proceeds from the Placing for settlement of outstanding short term liabilities of the Company.

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the satisfaction of the conditions set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

POTENTIAL SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of a listed issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

In view that the Shares had been traded at around or below HK\$0.10 at certain time in the past 12 months (based on the closing price per Share as quoted on the Stock Exchange), the Board is considering a Potential Share Consolidation. The Potential Share Consolidation will be subject to the approval by the Shareholders. As at the date of this announcement, the terms and structure of the Potential Share Consolidation have not been concluded or finalised. The Company will make further announcement(s) regarding the Potential Share Consolidation as and when appropriate.

Should the Potential Share Consolidation materialise, further announcement(s) will be made in respect of the terms and conditions of the Potential Share Consolidation in accordance with the applicable requirements of the GEM Listing Rules as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 30 January 2020 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 105,264,000 Placing Shares at the Placing Price of HK\$0.095 per Placing Share. Details of the Placing Agreement are set out below:

The Placing Agreement

Date: 30 January 2020 (after trading hours of the Stock Exchange)

Parties: (a) the Company (as issuer); and
(b) KGI Asia Limited (as placing agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Pursuant to the terms of the Placing Agreement, the Placing Agent will receive a placing commission of 3% of the aggregate amount which is equal to the Placing Price multiplied by the number of Placing Shares actually placed by the Placing Agent. The placing commission in respect of the Placing was negotiated on arm's length basis between the Company and the Placing Agent and was determined with reference to, among other things, the prevailing commission rate charged by other placing agents and the price performance of the Shares.

The Directors consider that the placing commission in respect of the Placing is fair and reasonable based on the current market conditions.

Placees

The Placing Shares will be placed to not less than six Placees, each of whom, and the ultimate beneficial owners of which, are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a Substantial Shareholder. If any of the Placees will become a Substantial Shareholder after completion of the Placing, further announcement will be made by the Company.

Placing Shares

The maximum of 105,264,000 Placing Shares represent (i) approximately 8.09% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.48% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares. The maximum aggregate nominal value of the Placing Shares is HK\$1,052,640.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.095 per Placing Share represents:

- (a) a discount of approximately 15.93% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on 30 January 2020, being the date of the Placing Agreement; and
- (b) a discount of approximately 15.18% to the average closing price of HK\$0.112 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price and the recent trading performance of the Shares. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The Placing is conditional upon the satisfaction of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares and such listing and permission not subsequently being revoked;
- (b) any other approval as may be required by applicable laws or regulations for the Placing; and

- (c) there shall not have occurred any material breach by the Company under the Placing Agreement or any event which renders any of the representations, warranties or undertakings given by the Company under the Placing Agreement untrue, inaccurate or misleading in any material respect.

In the event that any of the above conditions is not fulfilled on or before the Long Stop Date, all rights, obligations and liabilities of the Company and the Placing Agent under the Placing shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Placing and neither party shall have any claim against the other save for any antecedent breaches under the Placing Agreement prior to such rescission.

Completion of the Placing

Completion shall take place at or before 4:00 p.m. on the Completion Date.

Application for listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 260,223,611 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Placing Shares. As such, the issue of the Placing Shares is not subject to further Shareholders' approval. The General Mandate will be utilised as to approximately 40.45% upon the allotment and issue of all the Placing Shares.

Rescission

The Placing Agent shall have the right to rescind the Placing Agreement without any liability to the Company save for any antecedent breaches under the Placing Agreement prior to such rescission, by notice in writing given to the Company, at any time prior to 4:00 p.m. on the Completion Date, if any of the following events occurs:

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole and/or prejudice materially the consummation of the Placing; or
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) in Hong Kong, Bermuda, the Cayman Islands or any other relevant jurisdictions or other occurrence of any matter whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole and/or prejudice materially the consummation of the Placing; or
- (c) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to 4:00 p.m. on the Completion Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (d) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing; or
- (e) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which, in the reasonable opinion of the Placing Agent, would have a material adverse impact on the consummation of the Placing; or
- (f) any litigation or claim of material importance of any third party being instigated against any member of the Group, which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial prospects of the Group taken as a whole and/or would materially prejudice the consummation of the Placing; or

- (g) there is any suspension of dealings in the Shares on the Stock Exchange for more than five consecutive Business Days; or
- (h) any event of force majeure (being an event beyond the control of the parties), including but without limiting the generality hereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, occurs which prevents the performance of the contractual obligations of the parties hereunder or which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or prejudice materially the consummation of the Placing; or
- (i) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (j) save for the transactions contemplated in the Placing, the Company is not in possession of any non-public information relating to the Company, any other member of the Group or their respective businesses the release of which could materially affect the trading price of the Shares and there is not in existence any material or information relating to the Company which will be required to be disclosed by the Company under the GEM Listing Rules.

If notice is given pursuant to the above, the Placing Agreement shall cease to have effect and neither the Company nor the Placing Agent shall have any rights or claims against each other in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such rescission.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in short-term financing services in the PRC and Hong Kong.

Assuming all the Placing Shares are fully placed, the gross proceeds from the Placing will be HK\$10.0 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission and all relevant expenses) incidental to the Placing of approximately HK\$0.6 million, are estimated to be approximately HK\$9.4 million. The Company intends to apply the net proceeds from the Placing for settlement of outstanding short term liabilities of the Company.

The Company has considered various options to raise capital. Taking into account the benefits and costs of each of the options, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole as it would not impose any interest burden to the Group. The Directors consider that the Placing is the most efficient way to raise capital in order to maintain a sufficient cash position of the Group and to enhance the capital base of the Company. The Directors consider that the Placing also represents an opportunity for the Group to raise equity capital to reduce the liabilities of the Company. Accordingly, the Directors consider that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any other equity fund raising activities in the past 12 months immediately prior to the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company as a result of the Placing (assuming that there are no other changes in the issued share capital of the Company from the date of this announcement up to and immediately after Completion) are as follows:-

	As at the date of this announcement		Immediately after completion of the Placing (assuming all the Placing Shares are fully placed)	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Directors				
Mr. Zhang Wei (Note 1)	113,763,201	8.74	113,763,201	8.09
Ms. Li Wei (“Ms. Li”) (Note 2)	72,938,000	5.61	72,938,000	5.19
Substantial Shareholders				
Mr. Dai Di (Note 3)	294,200,000	22.61	294,200,000	20.92
Mr. Dai Hao & Ms. Jin Yu (Notes 4 and 5)	93,800,000	7.21	93,800,000	6.67
Mr. Zhang Xiaoman (Note 6)	71,428,571	5.49	71,428,571	5.08
Public Shareholders				
The Places	–	–	105,264,000	7.48
Other public Shareholders	654,988,284	50.34	654,988,284	46.57
Total	1,301,118,056	100.00	1,406,382,056	100.00

Notes:

1. Mr. Zhang Wei is the chairman and the executive Director of the Company and is also the beneficial owner of 113,763,201 Shares.
2. Ms. Li is the vice chairlady and the executive Director of the Company and is also the beneficial owner of 72,938,000 Shares.
3. Mr. Dai Di is interested in 294,200,000 Shares, through Exuberant Global Limited, a company wholly and beneficially owned by him.
4. Mr. Dai Hao is the brother of Mr. Dai Di. Mr. Dai Hao is interested in 26,800,000 Shares, through Time Prestige Holdings Limited (“**Time Prestige**”), a company wholly and beneficially owned by him. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in the 67,000,000 Shares hold by Bustling Capital Limited (“**Bustling Capital**”).
5. Ms. Jin Yu is interested in 67,000,000 Shares, through Bustling Capital, a company wholly and beneficially owned by her. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 26,800,000 Shares held by Time Prestige.
6. Mr. Zhang Xiaoman is interested in 71,428,571 Shares, through Silver Palm Limited, a company wholly and beneficially owned by him.

GENERAL

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the satisfaction of the conditions set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

POTENTIAL SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of a listed issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

In view that the Shares had been traded at around or below HK\$0.10 at certain time in the past 12 months (based on the closing price per Share as quoted on the Stock Exchange), the Board is considering a Potential Share Consolidation. The Potential Share Consolidation will be subject to the approval by the Shareholders. As at the date of this announcement, the terms and structure of the Potential Share Consolidation have not been concluded or finalised. The Company will make further announcement(s) regarding the Potential Share Consolidation as and when appropriate.

Should the Potential Share Consolidation materialise, further announcement(s) will be made in respect of the terms and conditions of the Potential Share Consolidation in accordance with the applicable requirements of the GEM Listing Rules as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day(s)”	a business day, other than a Saturday, Sunday or official public holiday, on which licensed banks in Hong Kong are open for transaction of routine banking business
“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 the GEM
“Completion Date”	a date on which the Placing is completed in accordance with the terms and conditions of the Placing Agreement, which falls within five Business Days following the satisfaction of the conditions precedent under the Placing Agreement (exclusive of the date of satisfaction of the conditions) or such other date as the Company and the Placing Agent may agree in writing
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange

“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 23 May 2019 to allot, issue and deal with new Shares not exceeding 20% of the number of issued share capital of the Company as at the date of the annual general meeting, pursuant to which a maximum of 260,223,611 new Shares may fall to be allotted and issued as at the date of this announcement
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party(ies) independent of and not connected with, and are not acting in concert with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Long Stop Date”	14 February 2020 or such later date as may be agreed by the Company and the Placing Agent
“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Shares pursuant to the Placing Agreement
“Placing”	the placing, on a best effort basis, of up to 105,264,000 Placing Shares on and subject to the terms and condition set out in the Placing Agreement
“Placing Agent”	KGI Asia Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the Placing Agreement dated 30 January 2020 entered into between the Company and the Placing Agent in relation to Placing

“Placing Price”	HK\$0.095 per Placing Share
“Placing Share(s)”	total of up to 105,264,000 new Shares to be placed pursuant to the Placing Agreement and to be issued under the General Mandate, each a “Placing Share”
“Potential Share Consolidation”	a potential consolidation of the share capital of the Company
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meanings ascribed to it under the GEM Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
Capital Finance Holdings Limited
Zhang Wei
Chairman and Executive Director

Hong Kong, 30 January 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Ms. Li Wei; the non-executive Director is Mr. Zang Wei; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Du Hui and Dr. Wong Wing Kuen Albert.

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 Listed Company Information” page for at least seven days from the date of its posting and on the website of the Company at <http://www.capitalfinance.hk>.