

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to the accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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)

**PROPOSED SHARE CONSOLIDATION
AND
PROPOSED CHANGE IN BOARD LOT SIZE**

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation pursuant to which every five (5) Existing Shares will be consolidated into one (1) Consolidated Share.

The Share Consolidation is conditional upon, among other things, (i) the approval by the Shareholders at the SGM; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 2,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 2,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has material interests in the proposed Share Consolidation, accordingly, no Shareholder is required to abstain from voting on the resolution.

A circular containing, among other things, details of the Share Consolidation and the Change in Board Lot Size, and the notice convening the SGM is expected to be despatched to the Shareholders on or before Friday, 28 February 2020.

Shareholders and potential investors of the Company should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraphs headed "Conditions of the Share Consolidation" below. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation pursuant to which every five (5) Existing Shares will be consolidated into one (1) Consolidated Share.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each, of which 1,301,118,056 Shares have been issued as fully paid or credited as fully paid. Assuming that no further Shares are allotted, issued or repurchased between the date of this announcement and the date of the SGM, upon the Share Consolidation becoming effective, the authorised share capital of the Company shall become HK\$100,000,000 divided into 2,000,000,000 Consolidated Shares of par value of HK\$0.05 each, of which 260,223,611 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's bye-laws.

Other than the expenses to be incurred, the implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders, save that any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the applicable laws of the Bermuda and the GEM Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 8 April 2020 being the second Business Day after the SGM.

Listing application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares arising from the Share Consolidation and the Consolidated Shares which may fall to be allotted and issued upon conversion of the Convertible Bonds upon the Share Consolidation becoming effective.

Subject to the granting of the approval of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, upon the Share Consolidation being effective, the Consolidated 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 Consolidated Shares on the Stock Exchange or, under contingent situation, 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. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the 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.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of existing share certificates held by such holder.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, a designated broker will be appointed by the Company to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers. Details of the matching service will be provided in the circular to be despatched to the Shareholders.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, which is currently expected to be on Wednesday, 8 April 2020, the Shareholders may during the period from Wednesday, 8 April 2020 to Wednesday, 20 May 2020 (both days inclusive) submit existing share certificates in the colour of blue for the Existing Shares to the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, to exchange for new share certificates in the colour of yellow for the Consolidated Shares at the expense of the Company.

Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever is higher.

After 4:10 p.m. on Monday, 18 May 2020, trading will only be in Consolidated Shares. Share certificates for the Existing Shares will remain effective as documents of title and may be exchanged for share certificates for the Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes after 4:10 p.m. on Monday, 18 May 2020.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 2,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 2,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.112 per Existing Share (equivalent to the theoretical closing price of HK\$0.56 per Consolidated Share) as at the date of this announcement, (i) the value of each existing board lot of Existing Shares is HK\$224; (ii) the estimated value of each existing board lot of Consolidated Shares would be HK\$1,120 assuming the Share Consolidation has become effective; and (iii) the estimated value per board lot of 10,000 Consolidated Shares would be HK\$5,600 assuming that the Change in Board Lot Size had also been effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

POSSIBLE ADJUSTMENTS RELATING TO THE CONVERTIBLE BONDS

As at the date of this announcement, the Company has outstanding Convertible Bonds which are applicable for convertible into a total of 1,660,571,428 Shares. Upon the Share Consolidation becoming effective, there may be certain adjustments to the conversion prices and/or number of conversion shares to be issued upon conversion of the Convertible Bonds. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

REASONS FOR THE PROPOSED SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

In view that the Shares had been traded at around or below HK\$0.10 at certain time in the past twelve months (based on the closing price per Share as quoted on the Stock Exchange), the Board considers that the proposed Share Consolidation and the Change in Board Lot Size would enable the Company to comply with the trading requirements under the GEM Listing Rules.

The Board believes that the Share Consolidation and Change in Board Lot Size will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.

As at the date of this announcement, the Company does not have any concrete plan to conduct any fund raising activities in the next twelve months, save for the proposed placing announced by the Company on 30 January 2020. Depending on the Group's actual performance and its funding needs, the Company may consider to conduct fund raising activities in future as and when appropriate should the Group's business operations and/or development demand.

In view of the above, the Directors are of the view that the Share Consolidation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation and Change in Board Lot Size is as follows:

Event	Time and Date
Despatch date of circular with notice of the SGM	on or before Friday, 28 February 2020
Latest date and time for lodging share transfer documents in order to qualify for attending and voting at the SGM	4:30 p.m. on Tuesday, 31 March 2020
Closure of register of members for determining the entitlement to attend and vote at the SGM (both dates inclusive)	Wednesday, 1 April 2020 to Monday, 6 April 2020
Latest date and time for lodging forms of proxy for the SGM	4:00 p.m. on Saturday, 4 April 2020
Record date for attending the SGM	Monday, 6 April 2020
Date and time of the SGM	4:00 p.m. on Monday, 6 April 2020
Announcement of voting results of the SGM	Monday, 6 April 2020

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:

Effective date of the Share Consolidation Wednesday, 8 April 2020

First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares Wednesday, 8 April 2020

Dealing in the Consolidated Shares commences 9:00 a.m. on Wednesday, 8 April 2020

Original counter for trading in the Existing Shares in board lots of 2,000 Existing Shares (in the form of existing share certificates) temporarily closes 9:00 a.m. on Wednesday, 8 April 2020

Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens 9:00 a.m. on Wednesday, 8 April 2020

Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares) re-opens 9:00 a.m. on Friday, 24 April 2020

Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) commences 9:00 a.m. on Friday, 24 April 2020

Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares 9:00 a.m. on Friday, 24 April 2020

Temporary counter for trading in the
Consolidated Shares in board lots of 400
Consolidated Shares (in the form of
existing share certificates) closes 4:10 p.m. on Monday,
18 May 2020

Parallel trading in the Consolidated Shares
(in the form of new share certificates for
the Consolidated Shares and existing
share certificates) ends 4:10 p.m. on Monday,
18 May 2020

Designated broker ceases to stand in the market
to provide matching services for odd lots
of the Consolidated Shares 4:10 p.m. on Monday,
18 May 2020

Last day for free exchange of existing
share certificates for new share certificates
for the Consolidated Shares Wednesday,
20 May 2020

All times and dates stated in this announcement refer to Hong Kong local times and dates. Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has material interests in the proposed Share Consolidation, accordingly, no Shareholder is required to abstain from voting on the resolution.

A circular containing, among other things, details of the Share Consolidation and the Change in Board Lot Size, and the notice convening the SGM is expected to be despatched to the Shareholders on or before Friday, 28 February 2020.

Shareholders and potential investors of the Company should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraphs headed “Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

In this announcement, the following terms shall have the meanings ascribed to them below unless the context otherwise requires:

“Board”	the board of Directors
“Business Day(s)”	a business day, other than Saturday, Sunday or official public holiday, on which licensed banks in Hong Kong are open for transaction of routine banking business
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Existing Shares to 10,000 Consolidated Shares
“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 (stock code: 8239)
“Consolidated Share(s)”	ordinary share(s) with a par value of HK\$0.05 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Convertible Bonds”	the convertible bonds issued by the Company, including (i) the convertible bonds due 2022 in the amount of HK\$387,200,000 which are convertible into 1,106,285,714 Existing Shares at the prevailing conversion price of HK\$0.35 per conversion share; and (ii) the convertible bonds due 2023 in the amount of HK\$194,000,000 which are convertible into 554,285,714 Existing Shares at the prevailing conversion price of HK\$0.35 per conversion share.

“Director(s)”	the director(s) of the Company
“Existing Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company before the Share Consolidation becomes effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“SGM”	a special general meeting to be convened and held for the purpose of considering, and if thought fit, approving, the Share Consolidation
“Share(s)”	Existing Share(s) and/or Consolidated Share(s), as the case may be
“Shareholders”	holder(s) of the Existing Share(s) or the Consolidated Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Existing Shares into one (1) Consolidated Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 7 February 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 “Latest Listed Company Information” page of the GEM website for at least seven days from the date of its posting and the Company’s website at <http://www.capitalfinance.hk>.