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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)

DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF TRUST FUND
AND
PROVISION OF MANAGEMENT SERVICE TO TRUST FUND

On 28 September 2020 (after trading hours), (i) Lhasa Jiade as an applicant subscribed 10 million Secondary Units of the Trust Fund; and (ii) Beijing Wanchi as manager and the Trustee entered into the Management Service Agreement in relation to the appointment of Beijing Wanchi as a manager of the Trust Fund.

As certain applicable percentage ratios for the Subscription are more than 5% but less than 25% under Rule 19.07 of the GEM Listing Rules, the Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. As certain applicable percentage ratios for the Management Service are more than 5% but less than 25% under Rule 19.07 of the GEM Listing Rules, the Management Service constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. In aggregate, all applicable percentage ratios of the Subscription and the Management Service are less than 25% under Rule 19.07 of the GEM Listing Rules.

On 28 September 2020 (after trading hours), (i) Lhasa Jiade as an applicant subscribed 10 million Secondary Units of the Trust Fund; and (ii) Beijing Wanchi as manager and the Trustee entered into the Management Service Agreement in relation to the appointment of Beijing Wanchi as a manager of the Trust Fund.

SUBSCRIPTION OF TRUST FUND

The principal terms of the Trust Fund are as follows:

- Date of Subscription:** 28 September 2020 (after trading hours)
- Name of the Trust Fund:** 渤海信託 • 2020普誠66號集合資金信託計劃 (Bohai Trust • 2020 Pucheng No. 66 Collective Fund Trust*)
- Parties:**
- (1) the Trustee; and
 - (2) Lhasa Jiade as the subscriber.
- Currency of investment:** RMB
- Purposes of the Trust Fund:**
- (1) to provide loans with property pledge as securities to individual borrowers in Beijing for production and operating activities; and
 - (2) to subscribe for Trust Protection Fund (信託業保障基金).
- Size of the Trust Fund:** The maximum fund size of the Trust Fund is RMB400 million (equivalent to approximately HK\$454.4 million).
- Subscription amount:** RMB10 million (equivalent to approximately HK\$11.4 million). The Group intends to fund its capital contribution from its internal resources.
- Term of the Trust Fund:** 5 years.
- The Trust Fund can be divided into several subscription intervals and the maximum term for each subscription interval is 15 months.
- The Subscription made by Lhasa Jiade is under the first interval of the Trust Fund, with an interval term of 15 months (the “**First Interval**”). Should the Group decide to subscribe further to the Trust Fund, the Company will make announcement in accordance with the GEM Listing Rules as and when required.

Commencement of the Trust Fund: In respect of each interval, the Trust Fund will only commence its term when the following conditions are satisfied:

- (1) the capital amount injected by the investors of not less than RMB10 million (equivalent to approximately HK\$11.4 million) in aggregate has been deposited in the designated account of the Trust Fund; and
- (2) the proportion of Preference Units to Secondary Units shall not be higher than 3:1.

MANAGEMENT SERVICE AGREEMENT

The principal terms of the Management Service Agreement are as follows:

Date: 28 September 2020 (after trading hours)

Parties:

- (1) the Trustee; and
- (2) Beijing Wanchi as manager.

Manager of the Trust Fund: The Trustee will appoint Beijing Wanchi as a manager of the Trust Fund. Beijing Wanchi will be responsible for the management of individual property pledged loan business under the Trust Fund.

Management fee of the manager of the Trust Fund: Beijing Wanchi will be entitled to a management fee of 1% per annum of the average balance of capital maintained by the Trust Fund.

INFORMATION OF THE TRUSTEE

The Trustee is a non-banking financial institution established in the PRC with limited liability and authorised by the China Banking Regulatory Commission (presently integrated as China Banking and Insurance Regulatory Commission) to carry out trust business in the PRC. The Trustee is held as to approximately 51.23% by HNA Capital Group Co., Ltd., approximately 22.10% by China Xinhua Airlines and approximately 26.67% by Beijing HNA Financial Holdings Co., Ltd. The Trustee is principally engaged in fund trust, movable property trust, real estate trust, securities trust, other properties or property rights trust and provision of corporate reorganisation, merger and acquisition, corporate wealth management and financial advisory services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Trustee, HNA Capital Group Co., Ltd., China Xinhua Airlines, Beijing HNA Financial Holdings Co., Ltd. and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION OF THE GROUP, BEIJING WANCHI AND LHASA JIADE

The Group is principally engaged in short-term financing services in the PRC and Hong Kong.

Beijing Wanchi is a wholly-foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Beijing Wanchi is principally engaged in provision of entrusted loan and financial consultancy service in the PRC.

Lhasa Jiade is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Lhasa Jiade is principally engaged in provision of entrusted loan and financial consultancy service in the PRC.

REASONS FOR SUBSCRIPTION OF TRUST FUND AND PROVISION OF MANAGEMENT SERVICE TO TRUST FUND

According to the Legal Interpretation No.6 of 2020 – Provisions of Issues concerning the Application of Law in the Trial of Private Lending Cases (Revised) which was approved by the Supreme People’s Court of the PRC (《最高人民法院關於修改《關於審理民間借貸案件適用法律若干問題的規定》的決定(法釋[2020]6號)》) on 18 August 2020 and effective from 20 August 2020, the annual interest rate of the private lending shall not be higher than four times of the PRC’s 1-year loan prime rate at the date of agreements, which is 15.4% as at the date of this announcement. In order to maximise the interests of the Company and the Shareholders as a whole, the Company assessed several investment plans, and decided to subscribe for the Trust Fund. The Directors are of the view that the investment in the Trust Fund may allow the Company to earn a higher rate of return than either lending to the borrower by its subsidiaries or fixed deposit rate offered by the PRC’s commercial bank.

The Company aims to effectively utilise its funds to improve its overall capital returns, while ensuring the safety and liquidity of its capital. The Trustee is a well-known non-banking financial institution in the PRC’s trust market which has sound resources and good reputation. Through subscription of its well-developed product, the Company can substantially lower its investment risk. Moreover, as Beijing Wanchi is appointed as the manager of the Trust Fund, it also ensures a comprehensive risk control and management system and provides a double safeguard to the Company. Based on the aforesaid, the Directors are of the view that the Subscription with the Group’s internal resources will not have any adverse effect on the business operation and day-to-day cash flows of the Company.

On the other hand, the Company always aims to broaden its sources of revenue to enhance its financial performance, and the Management Service provides an opportunity for the Group to enter into trust loan market in the PRC. Given that provision of short-term financing services in the PRC is one of the principal activities of the Group, the Group is able to leverage on its vast experience in sourcing potential customers and credit risk management to provide a remarkable service to the Trust Fund which may bring more future business opportunity. The Directors consider that the Management Service would enhance the Group’s competitiveness in the financial service market and increase its profitability.

The Directors are of the view that the terms of the Trust Agreement and the Management Service Agreement are on normal commercial terms and fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios of the Subscription are more than 5% but less than 25% under Rule 19.07 of the GEM Listing Rules, the Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. As certain applicable percentage ratios for the Management Service are more than 5% but less than 25% under Rule 19.07 of the GEM Listing Rules, the Management Service constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. In aggregate, all applicable percentage ratios of the Subscription and the Management Service are less than 25% under Rule 19.07 of the GEM Listing Rules.

DEFINITIONS

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

“Beijing Wanchi”	北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited*), a wholly-foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“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)
“Director(s)”	the director(s) of the Company
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lhasa Jiade”	拉薩嘉德財務顧問有限公司 (Lhasa Jiade Financial Consultant Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Management Service”	the provision of the management service to the Trust Fund pursuant to the Management Service Agreement
“Management Service Agreement”	a management service agreement, its attachments and relevant documents to be entered into on 28 September 2020 between the Trustee and Beijing Wanchi as manager in relation to the management of individual property pledged loan business of the Trust Fund
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preference Unit(s)”	preference Unit(s) of the Trust Fund of RMB1 each, which entitles a fixed return from the Trust Fund
“RMB”	Renminbi, the lawful currency of the PRC
“Secondary Unit(s)”	secondary Unit(s) of the Trust Fund of RMB1 each, which entitles a variable return from the Trust Fund
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 10 million Secondary Units of the Trust of RMB1 each amounting to RMB10 million (equivalent to approximately HK\$11.4 million)
“Trust Agreement”	The trust agreement, subscription application form, its attachments and relevant documents dated 28 September 2020 entered into between Lhasa Jiade and the Trustee in relation to the Trust Fund

“Trust Fund”	a trust set up by the Trustee, a trust fund for collective funds (集合資金信託計劃)
“Trustee”	Bohai International Trust Co., Ltd., a non-banking financial institution established in the PRC with limited liability and authorised by the China Banking Regulatory Commission (presently integrated as China Banking and Insurance Regulatory Commission) to carry out trust business in the PRC
“Unit(s)”	the beneficial interest in the Trust Fund which is divided into unit(s)
“%”	per cent

* English name is for identification purpose only.

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

Hong Kong, 28 September 2020

In this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB1:HK\$1.136. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the above exchange rate or any other rates.

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>.