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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 AND EXEMPTED CONNECTED
TRANSACTION IN RELATION TO
THE DISPOSAL OF (I) THE ENTIRE EQUITY INTEREST IN BEIJING
AUTO-SERVE SOFTWARE COMPANY LIMITED* AND
(II) THE ENTIRE ISSUED SHARE CAPITAL OF
VIBRANT YOUTH LIMITED**

THE AGREEMENT

On 24 March 2016 (after trading hours), the Vendors entered into the Agreement with the Purchasers, pursuant to which the Purchasers have agreed to purchase and the Vendors have agreed to sell (i) the Sale Equity, representing the entire equity interest in the Target Company A; and (ii) the Sale Shares, representing the entire issued share capital of the Target Company B, at a Consideration of HK\$26,208,000 payable in cash.

THE GEM LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

In addition, as Purchaser A is a director of each of the Disposal Group and Purchaser B, Purchaser A is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under the GEM Listing Rules.

By virtue of Rule 20.99 of the GEM Listing Rules, as (i) Purchaser A is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, and shareholders' approval requirements.

To the best of the Directors' knowledge, none of the Directors has a material interest in the transactions contemplated under the Agreement and hence, none of them is required to abstain or has abstained from voting on the relevant board resolutions.

THE AGREEMENT

Date:

24 March 2016 (after trading hours)

Parties

- (i) 北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited*) (as Vendor A)
- (ii) United Tone Investments Limited (as Vendor B)
- (iii) Mr. Xi Benye (as Purchaser A and Guarantor of Purchaser B)
- (iv) Perennial Fortune Limited (as Purchaser B)
- (v) The Company

Assets to be disposed

Pursuant to the Agreement, Vendor A agreed to sell the Sales Equity to Purchaser A and Vendor B agreed to sell the Sales Shares to Purchaser B.

The Sales Equity represents the entire equity interest in the Target Company A owned by Vendor A, and the Sale Shares represent the entire issued share capital of the Target Company B owned by Vendor B.

In light of the Disposal, Vendor A, Vendor B, Purchaser A, Purchaser B, the Company and other relevant parties have also, on the date of the Agreement, entered into a termination agreement pursuant to which the rights and obligations of parties thereto under the Previous Agreement, in particular, rights and obligations relating to issue of consideration shares, profit guarantee, escrow arrangement, lock-up undertakings, in respect of the acquisition of the entire issued share capital of Target Company B are terminated as at the date of the Agreement, save and except any antecedent breaches.

Consideration

The Consideration of HK\$26,208,000 (equivalent to approximately RMB21,840,000) is payable by the Purchaser A (or its nominee(s)) to the Vendor A and payable by the Purchaser B (or its nominees(s)) to the Vendor B (or its nominee(s)) in the following manners:-

- (i) the sum of RMB11,000,000 (equivalent to approximately HK\$13,200,000) shall be payable in cash by Purchaser A (or its nominee(s)) to Vendor A three Business Days after signing the Agreement;
- (ii) the sum of HK\$13,008,000 (equivalent to approximately RMB10,840,000) shall be payable in cash by Purchaser B (or its nominee(s)) to Vendor B (or its nominee(s)) three Business Days after signing the Agreement.

The Consideration was arrived at after arm's length negotiations on commercial terms between the Purchasers and the Vendors, with reference to, among other matters, the business prospects of the Disposal Group and the reasons and benefits for the Disposal as discussed under the section headed "REASONS AND BENEFITS OF THE DISPOSAL" below. Accordingly, the Directors consider that the Consideration is fair and reasonable.

Conditions precedent

No conditions precedent is set out in the Agreement.

Completion

Completion shall be taken place on the Completion Date.

INFORMATION OF THE DISPOSAL GROUP

Target Company A is a company established in the PRC with limited liability with an registered capital of RMB5,000,000 (equivalent to approximately HK\$6,000,000), which has been fully paid-up. Target Company A is principally engaged in the business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors.

Target Company B is a company incorporated in BVI with limited liability with an authorised share capital of US\$50,000 (equivalent to approximately HK\$387,500) divided into 50,000 ordinary shares of US\$1.00 (equivalent to approximately HK\$7.75) each, of which an aggregate of 125 ordinary shares have been issued and fully paid-up. Target Company B is an investment holding company and it is the holder of the entire issued share capital of Autoserve HK.

Autoserve HK is a company incorporated in Hong Kong with limited liability, 100 ordinary shares have been issued and fully paid-up making up the share capital of HK\$100. Autoserve HK is principally engaged in the business of development and sales of software and the sales of electronic product and equipment.

Set out below is the financial information of the Target Company A as extracted from its management accounts prepared in accordance with the PRC generally accepted accounting principles for the financial year ended 31 December 2014 and audited statement of comprehensive income for the year ended 31 December 2015 and unaudited statement of financial position as at 31 December 2015, prepared in accordance with the HKFRS respectively:

	For the financial	
	year ended 31 December	
	2014	2015
	unaudited	audited
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5,826	17,487
Net profit before tax	322	5,825
Net profit after tax	320	5,295

	As at 31 December	
	2014	2015
	unaudited <i>RMB'000</i>	unaudited <i>RMB'000</i>
Net assets	5,745	10,747

Set out below is the financial information of Target Company B as extracted from its unaudited consolidated management accounts prepared in accordance with the HKFRS for the period from 4 November 2014, being the date of incorporation of Target Company B, to 31 December 2014 and the year ended 31 December 2015:

	From	For the year
	4 November to	ended
	31 December	31 December
	2014	2015
	unaudited	unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	–
Net loss before tax	(24)	(11)
Net loss after tax	(24)	(11)
Net assets	977	966

INFORMATION OF THE PURCHASERS

Purchaser A is a director of each of the Disposal Group and Purchaser B.

Purchaser B is a company incorporated in the Republic of Seychelles with limited liability and it is an investment holding company.

INFORMATION OF THE GROUP AND THE VENDORS

Prior to the Disposal, the Group is principally engaged in (i) short-term financing services in the PRC and Hong Kong; and (ii) business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC.

Vendor A is a wholly foreign owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the business of investment holding and the provision of financial consultancy services.

Vendor B is a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company. It is an investment holding company.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

The Group is expected to record a gain on disposal of approximately HK\$2.6 million, with reference to the net proceeds and after taken into account of the unaudited net asset value of the Disposal Group at the Group level as at 31 December 2015 of approximately HK\$46.3 million, exchange loss reserve of the Disposal Group as at 31 December 2015 of approximately HK\$4.3 million, fair value of contingent consideration shares in relation to the Previous Agreement payable by the Company as at 31 December 2015 of approximately HK\$27.4 million which are terminated as at the date of the Agreement. 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.

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial statements of the Company. The Group will also cease to engage in the business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors upon Completion.

REASONS AND BENEFITS OF THE DISPOSAL

As disclosed in the annual report of the Company for the period ended 31 December 2015, the deterioration of the equity value of the Disposal Group was arising from the continuous exacerbation of market condition and the implementation of new regulatory acts as announced by the State Council of the PRC regarding to peer-to-peer lending industry, which is expected to lead to significant increment of the Disposal Group's software development cost and create negative impact on the Disposal Group's future revenue and growth rate. In view of such deterioration, and the increasing pressures from this market, the Directors consider that the Disposal represents an opportunity to realise the Company's investment so as to enhance the cash flow of the Group, which can better utilise its resources to focus on its business with more growth potential.

The Board intends to apply the net proceeds from the Disposal of approximately HK\$25.8 million for the general working capital of the Group, and also to invest in potential investment opportunities, to establish new sales location(s) in the PRC and to operate current principal business of the Group.

Accordingly, the Directors consider that the Disposal is in the ordinary and usual course of business of the Group and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE GEM LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

In addition, as Purchaser A is a director of each of the Disposal Group and Purchaser B, Purchaser A is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under the GEM Listing Rules.

By virtue of Rule 20.99 of the GEM Listing Rules, as (i) Purchaser A is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, and shareholders' approval requirements.

To the best of the Directors' knowledge, none of the Directors has a material interest in the transactions contemplated under the Agreement and hence, none of them is required to abstain or has abstained from voting on the relevant board resolutions.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 24 March 2016 entered into between the Company, the Purchasers, the Vendors and the Guarantor in relation to the Disposal
“Autoserve HK”	Autoserve Software (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands

“Company”	Capital Finance Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are listed on the GEM
“Completion”	completion of the Disposal in accordance with the provisions of the Agreement
“Completion Date”	one Business Day after payment of the Consideration under the Agreement or such other date as the Purchasers and the Vendors may agree in writing
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the Disposal of an aggregate amount of HK\$26,208,000 (equivalent to approximately RMB21,840,000)
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Equity and the Sale Shares from the Vendors to the Purchasers pursuant to the Agreement
“Disposal Group”	collectively the Target Company A, Target Company B and Autoserve HK
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Guarantor”	Mr. Xi Benye
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

“Independent Third Party(ies)”	a party(ies) and, if applicable, the ultimate beneficial owner of the party(ies) who has not fallen into the definition of connected persons of the Company under Chapter 20 of the GEM Listing Rules and independent of and not connected with the connected persons of the Company and their associates (as defined in the GEM Listing Rules)
“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
“Previous Agreement”	the sale and purchase agreement dated 13 January 2015 entered into between 北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited*), Vendor B, Purchaser A, Ms. Wang Yan, Mr. Huang Shanchun, Success Yields Limited, Purchaser B and the Company (as amended, revised, supplemented or restated from time to time)
“Purchaser A”	Mr. Xi Benye
“Purchaser B”	Perennial Fortune Limited, a company incorporated in the Republic of Seychelles with limited liability, which is held as to 60% by Purchaser A and 40% by the spouse of Purchaser A
“Purchasers”	collectively, Purchaser A and Purchaser B (as the case may be)
“Sale Equity”	the entire equity interest in the Target Company A
“Sale Shares”	the entire issued share capital of the Target Company B
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company A”	北京奧拓思維軟件有限公司(Beijing Auto-serve Software Company Limited*), a company established in the PRC with limited liability and is owned as to 100% by Vendor A
“Target Company B”	Vibrant Youth Limited a company incorporated in BVI with limited liability and is owned as to 100% by Vendor B
“Vendor A”	北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited*, a wholly foreign owned enterprise established in PRC with limited liability, a wholly-owned subsidiary of the Company, and the owner of 100% equity interest in the Target Company A
“Vendor B”	United Tone Investments Limited, a company incorporated in BVI with limited liability, a wholly-owned subsidiary of the Company, and the owner of 100% of the total issued share capital of the Target Company B
“Vendors”	collectively, Vendor A and Vendor B (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renmibi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.20 and conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 to HK\$7.75. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 24 March 2016

As at the date of this announcement, the executive Directors are Mr. Zhang Wei, Mr. Wong Wai Sing and Mr. Han Jianli, and the independent non-executive Directors are Mr. Chen Yihua, Mr. Du Hui and Ms. Sze Sau Wan.

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

** For identification purposes only*