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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)

PROPOSED CAPITAL REORGANISATION

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The Board proposes to implement the Capital Reorganisation involving

- (i) the Share Consolidation whereby every twenty (20) Existing Shares will be consolidated into one (1) Consolidated Share;
- (ii) the Capital Reduction whereby the issued share capital of the Company will be reduced by cancelling paid up capital of the Company to the extent of HK\$0.99 on each of the then Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$1.0 to HK\$0.01;
- (iii) the Sub-division whereby each authorized but unissued Consolidated Share of HK\$1.0 (including the unissued Shares arising from the Capital Reduction) will be sub-divided into 100 New Shares of HK\$0.01 each; and
- (iv) the transfer of all the credits arising from the Capital Reduction to the contributed surplus account of the Company.

BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 10,000 Existing Shares. It is proposed that, subject to and conditional upon the Capital Reorganisation becoming effective, the board lot size for trading on the Stock Exchange will be 10,000 New Shares.

Based on the closing price of HK\$0.029 per Existing Shares as quoted on the Stock Exchange as at the date of this announcement, the value of each board lot of 10,000 New Shares, assuming Capital Reorganisation had already been effective would be HK\$5,800.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, further detail of the proposed Capital Reorganisation and the notice convening the SGM is expected to be despatched to the Shareholders on or before 20 January 2023.

Shareholders should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” below, and therefore may or may not proceed.

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- (iii) the Sub-division whereby of each authorized but unissued Consolidated Share of HK\$1.0 (including the unissued Shares arising from the Capital Reduction) will be sub-divided into 100 New Shares of HK\$0.01 each; and
- (iv) the transfer of all the credits arising from the Capital Reduction to the contributed surplus account of the Company.

As at the date of this announcement, the total authorised share capital of the Company is HK\$1,000,000,000, which is divided into 20,000,000,000 Existing Shares, of which 1,011,829,233 Existing Shares have been allotted and issued as fully paid or credited as fully paid.

On the assumption that there is no change in the issued share capital prior to the Capital Reorganisation becoming effective, the Company will have approximately 50,591,461 New Shares in issue and a credit of approximately HK\$50,085,546 arising from the Capital Reduction will be transferred to the contributed surplus account of the Company.

Upon the Capital Reorganisation becoming effective, the authorized share capital of the Company shall remain at HK\$1,000,000,000, which will be divided into 100,000,000,000 New Shares.

Status of the New Shares

The issued New Shares will rank pari passu in all respects with each other in the same class in accordance with the Bye-laws. The Capital Reorganisation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class.

Other than the expenses incurred in relation to the Capital Reorganisation, its implementation will not in itself, alter the underlying assets, business operations, management or financial position of the Group or the proportionate interests or rights of the Shareholders.

Fractional entitlement to the Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be given to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganisation;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation; and
- (c) compliance with the relevant procedures and requirements under Bermuda law and the GEM Listing Rules to effect the Capital Reorganisation.

Subject to the satisfaction of the above conditions, it is expected that the Capital Reorganisation will become effective on the second Business Day immediately after the date of the SGM.

Listing Application

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New 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 New Shares on the Stock Exchange or 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 New Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the New Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Adjustment to the Convertible Bonds

As at the date of this announcement, there are convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount of HK\$212,682,000, entitling the holder(s) thereof to convert into an aggregate of 4,253,640,000 Existing Shares upon exercise of the Convertible Bonds. Save for the Convertible Bonds, the Company has no outstanding options, warrants or other securities convertible into Existing Shares and/or Consolidated Shares and/or New Shares. The Capital Reorganisation will lead to adjustments to the conversion price and the number of Shares falling to be issued upon conversion of the Convertible Bonds. Further announcement(s) regarding the adjustments will be made in accordance with the GEM Listing Rules as and when appropriate.

BOARD LOT SIZE

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Based on the closing price of HK\$0.029 per Existing Shares as quoted on the Stock Exchange as at the date of this announcement, the value of each board lot of 10,000 New Shares, assuming Capital Reorganisation had already been effective would be HK\$5,800.

REASONS FOR THE CAPITAL REORGANISATION

The closing prices of the Existing Shares were below HK\$0.1 in a number of trading days. Accordingly, the Company proposes to effect the Capital Reorganisation which would provide greater flexibility to the Company to carry out fund raising exercises in the future.

Based on the reasons above, the Board considers that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no current intention to carry out other corporate actions in short term. The Company has considered the possibility of fund raising but as at the date of this announcement, there is no concrete plan for fund raising exercise. Further announcement(s) will be made by the Company in compliance with the GEM Listing Rules in the event of such fund raising exercise becomes materialized.

OTHER ARRANGEMENTS

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the New Shares, the Company will appoint a securities firm to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Details of the odd lot matching arrangements will be set out in the circular in relation to the Capital Reorganisation to be despatched to the Shareholders.

Shareholders with odd lot holdings of New Shares should note that matching of the sale and purchase of odd lots of the New Shares is on a best efforts basis. Successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed.

Exchange of certificates for New Shares

Subject to the Capital Reorganisation becoming effective, which is currently expected to be on Thursday, 23 February 2023, Shareholders may during the period from Thursday, 23 February 2023 to Friday, 31 March 2023 (both days inclusive), submit for exchange their existing share certificates in yellow colour for the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for share certificates in green colour for the New Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Company's branch share registrar and transfer office in Hong Kong for exchange of share certificates.

With effect from 4:10 p.m. on Wednesday, 29 March 2023, trading will only be in New Shares which share certificates will be issued in green colour. Existing share certificates in yellow colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation is set out below. The expected timetable is subject to the results of the SGM and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to Hong Kong local times and dates.

2023

Despatch date of circular with notice of the SGM	on or before Friday, 20 January
Latest time for lodging transfers of shares in order to qualify for attendance and voting at the SGM	4:00 p.m. on Wednesday, 15 February
Register of members closes (both days inclusive)	Thursday, 16 February to Tuesday, 21 February
Latest time for lodging forms of proxy for the SGM	11:00 a.m. on Sunday, 19 February
Record date for attendance and voting at the SGM	Tuesday, 21 February
Date and time of the SGM	11:00 a.m. on Tuesday, 21 February
Publication of the announcement of the results of the SGM	Tuesday, 21 February

The following events are conditional on the fulfillment of the conditions for the implementation of the Capital Reorganisation as set out in this announcement.

Effective date of the Capital Reorganisation	Thursday, 23 February
First day of free exchange of existing share certificates for new share certificates for New Shares	Thursday, 23 February
Dealing in the New Shares commences	9:00 a.m. on Thursday, 23 February
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Thursday, 23 February
Temporary counter for trading in the New Shares in board lots of 500 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 23 February
Original counter for trading in the New Shares in board lots of 10,000 New Shares (in the form of new share certificates for the New Shares) re-opens	9:00 a.m. on Thursday, 9 March
Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) commences	9:00 a.m. on Thursday, 9 March
Designated broker starts to stand in the market to provide matching services for odd lots of the New Shares	9:00 a.m. on Thursday, 9 March
Designated broker ceases to stand in the market to provide matching services for odd lots of the New Shares	4:00 p.m. on Wednesday, 29 March
Temporary counter for trading in the New Shares in board lots of 500 New Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 29 March
Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) ends	4:10 p.m. on Wednesday, 29 March
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Friday, 31 March

GENERAL

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DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or on which a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“Bye-laws”	the bye-laws for the time being adopted by the Company and as amended from time to time;
“Capital Reduction”	the proposed reduction in the issued share capital of the Company as detailed in the section headed “Proposed Capital Reorganisation” of this announcement;
“Capital Reorganisation”	the Share Consolidation, the Capital Reduction and the Sub-division;
“CCASS”	Central Clearing and Settlement System established and operated by the HKSCC;
“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 (Stock Code: 8239);
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$1.0 each in the share capital of the Company immediately after the Share Consolidation becoming effective;

“Director(s)”	director(s) of the Company;
“Existing Share(s)”	issued and unissued existing ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“GEM”	GEM of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective;
“SGM”	the special general meeting of the Company to be convened and held to consider and, if appropriate, to approve the Capital Reorganisation;
“Share(s)”	collectively, the Existing Shares, the Consolidated Shares or the New Shares, as the case may be;
“Share Consolidation”	the proposed consolidation of every twenty (20) Existing Shares into one (1) Consolidated Share;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Sub-division” the proposed sub-division of each authorized but unissued Consolidated Share of HK\$1.0 into 100 New Shares of HK\$0.01 each as detailed in the section headed “Proposed Capital Reorganisation” of this announcement;

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong.

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

Hong Kong, 19 December 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Ms. Li Wei; and the independent non-executive Directors are Mr. Chen Yihua, Mr. Lee Zak Yuen and Mr. Chan Ngai Fan.

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 website of the Stock Exchange at <http://www.hkexnews.hk> for at least 7 days from the date of its posting and the Company’s website at <http://www.capitalfinance.hk>.