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CHINA ART FINANCIAL HOLDINGS LIMITED

中國藝術金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1572)

ISSUE OF NEW SHARES UNDER THE GENERAL MANDATE

The Board is pleased to announce that on 2 April 2024 (after trading hours), the Company (as issuer) entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 12,500,000 Subscription Shares at the Subscription Price of HK\$0.12 per Subscription Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of Completion, the Subscription Shares represent (i) approximately 0.74% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 0.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the issue of the Subscription Shares is conditional upon the fulfilment of the Conditions Precedent set out under the paragraph headed “Conditions Precedent under the Subscription Agreement” in this announcement, which may or may not be fulfilled. Accordingly, the aforementioned Completion may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 2 April 2024 (after trading hours), the Company (as issuer) entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 12,500,000 Subscription Shares at the Subscription Price of HK\$0.12 per Subscription Share.

PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENT

Date

2 April 2024

Parties

- (i) The Company, as issuer
- (ii) The Subscriber, as subscriber

Subscription

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for an aggregate of 12,500,000 Subscription Shares at the Subscription Price of HK\$0.12 per Subscription Share. The Subscription Price shall be payable by the Subscriber in cash on the date of Completion.

Subscription Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of Completion, the Subscription Shares represent (i) approximately 0.74% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 0.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The market value of the Subscription Shares is approximately HK\$1,687,500, based on the closing price of HK\$0.135 per Share as at the date of the Subscription Agreement. The aggregate nominal value of the Subscription Shares will be HK\$125,000.

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the Completion.

Subscription Price

The Subscription Price is HK\$0.12 per Subscription Share, which represents:

- (i) a discount of approximately 11.11% to the closing price of HK\$0.135 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of approximately 13.17% to the average closing price of approximately HK\$0.1382 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber after taking into account the prevailing market price of the Shares and the market condition. The Directors are of the view that the Subscription Price is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent under the Subscription Agreement

Completion of the Subscription Agreement is conditional upon the fulfilment or waiver of the following conditions:

- (i) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares and such approval not having been withdrawn or revoked;
- (ii) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn;
- (iii) each of the warranties included in the Subscription Agreement given by the Company remaining true and accurate in all respects and not misleading in any respect as at the Completion;
- (iv) the Company not having materially breached or failed to perform in any material respect its other obligations or undertakings under the Subscription Agreement prior to the Completion;
- (v) the Company having complied with the Listing Rules in all material respects in respect of the Subscription; and
- (vi) all necessary and relevant approvals and consents in relation to the Subscription having been obtained by the Company and the Subscriber.

If any of the conditions precedent under the Subscription Agreement set out above is not fulfilled on or before 30 April 2024 (or such other date as may be agreed between the Company and the Subscriber in writing), all rights and obligations of the parties of the Subscription Agreement shall cease and determine and none of the parties thereto shall have any claim against the other in respect of the Subscription Agreement (save for any antecedent breaches thereof).

Among the above conditions, items (i), (ii), (v) and (vi) are not waivable, while items (iii) and (iv) may be waived by the Subscriber. The Conditions Precedent are not fulfilled yet at this stage.

Completion

The Completion shall take place on a date falling within seven business days after the fulfillment of the conditions set out above (or such other date as may be agreed between the Company and the Subscriber in writing).

GENERAL MANDATE TO ALLOT AND ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be issued and allotted under the General Mandate. The General Mandate entitles the Directors to issue, allot and deal with up to 335,600,000 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. Since the date of the AGM and up to and including the date of this announcement, no Share has been allotted and issued pursuant to the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares and the allotment and issue of the Subscription Shares is not subject to the Shareholders' approval.

LISTING APPLICATION

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 Subscription Shares on the Stock Exchange.

INFORMATION ON THE COMPANY

The Company is a leading art finance service provider in China. Through its subsidiaries, the Company provides art finance and related services under three business segments: (i) art and asset pawn business; (ii) art and asset auction business and (iii) art and asset sales business. Art investment and art financing are the two dominating activities in the art finance market.

INFORMATION ON THE SUBSCRIBER

The Subscriber is principally engaged in data system development. Its ultimate beneficial owner is Mr. Xu Xianrong.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber is a third party independent of the Company and not connected with the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

To support the business development of the Company, the Subscriber entered into the Subscription Agreement with the Company. The entering into of the Subscription Agreement will allow the Company to enlarge its shareholders and capital base and improve the financial position of the Group, while providing support to the further development of the Company's existing and potential business and investment opportunities. The Board considers that the terms of the Subscription Agreement and the transactions contemplated thereunder were entered into on normal commercial terms after arm's length negotiations between the parties which are fair and reasonable, and the entering into the Subscription Agreement is in the interests of the Company and its Shareholders as a whole.

The gross proceeds from the Subscription will be approximately HK\$1,500,000 and the net proceeds from the Subscription will be approximately HK\$1,450,000 after deducting professional fees and all relevant expenses, representing the net price of approximately HK\$0.116 per Subscription Share. The Company intends to use the net proceeds raised from the Subscription for the project of the potential incorporation of a joint venture company, which will provide software service of centralized settlement systems for various community retail scenarios.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out a summary of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Completion (assuming there being no other changes to the issued share capital of the Company between the date of this announcement and the date of Completion save for the allotment and issue of the Subscription Shares):

	As at the date of this announcement		As at the date of Completion after the allotment and issue of Subscription Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Intelligenesis Investment Co., Ltd.	1,000,768,000	59.64	1,000,768,000	59.20
The Subscriber	—	—	12,500,000	0.74
Public Shareholders	<u>677,232,000</u>	<u>40.36</u>	<u>677,232,000</u>	<u>40.06</u>
Total	<u><u>1,678,000,000</u></u>	<u><u>100.00</u></u>	<u><u>1,690,500,000</u></u>	<u><u>100.00</u></u>

EQUITY FUND-RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company had not conducted any fundraising activities by way of issue of its equity securities in the past twelve months immediately preceding the date of this announcement.

Completion of the issue of the Subscription Shares is conditional upon the fulfilment of the Conditions Precedent set out under the paragraph headed “Conditions Precedent under the Subscription Agreement” in this announcement, which may or may not be fulfilled. Accordingly, the aforementioned Completion may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company convened and held on 16 June 2023
“Board”	the board of Directors of the Company
“Completion”	completion of the Subscription
“Company”	China Art Financial Holdings Limited 中國藝術金融控股有限公司, a company incorporated under the laws of the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1572)
“Conditions Precedent”	the conditions precedent set out under the paragraph headed “Conditions Precedent under the Subscription Agreement”
“Director(s)”	member(s) of the Board of the Company
“General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue or deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries from time to time
“Last Trading Day”	28 March 2024, being the last trading day prior to the signing of the Subscription Agreement, which took place after trading hours
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription and issue of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 2 April 2024 entered into between the Company as the issuer and the Subscriber in relation to the subscription of 12,500,000 Subscription Shares at the Subscription Price

“Subscriber”	Zoomlion Digital Technology Group Co., Limited (中聯數科集團有限公司), a company incorporated in Hong Kong with limited liability
“Subscription Price”	HK\$0.12 per Subscription Share
“Subscription Shares”	an aggregate of 12,500,000 new Shares to be issued and allotted by the Company to the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
China Art Financial Holdings Limited
Fan Zhixin
Co-Chairman and Executive Director

Hong Kong, 2 April 2024

As at the date of this announcement, the Board comprises (1) Mr. Fan Zhixin (Co-Chairman) as the executive Director, (2) Mr. Chen Yunwei and Mr. Tian Rui (Co-Chairman) as the non-executive Directors and (3) Mr. Leung Shu Sun, Sunny, Ms. Shao Qionqiong and Ms. Yin Xuhong as the independent non-executive Directors.