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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
IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST AND SHAREHOLDER'S LOAN
OF FOREMOST STAR INVESTMENTS LIMITED**

Financial adviser to the Company



INCUCO Corporate Finance Limited

THE DISPOSAL AGREEMENT

On 9 June 2015 (after trading hours), the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to purchase the Sale Shares and the Sale Loan at an aggregate cash consideration of HK\$52,000,000.

Upon Completion, the Company will cease to have any interest in the Disposal Group. The financial results of the Disposal Group will no longer be consolidated in the financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the GEM Listing Rules is greater than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is only subject to the reporting and announcement requirements of the GEM Listing Rules.

On 9 June 2015 (after trading hours), the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to purchase the Sale Shares and the Sale Loan at an aggregate cash consideration of HK\$52,000,000. Set out below are the principal terms of the Disposal Agreement:

THE DISPOSAL AGREEMENT

Date: 9 June 2015

Vendor: Star International Business Development Company Limited,
an indirect wholly-owned subsidiary of the Company

Purchaser: Dynamic Harbour Limited

The Purchaser is a company incorporated in Samoa with limited liability and is principally engaged in investment holding.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser, and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be disposed of

Pursuant to the Disposal Agreement, the assets to be disposed of by the Vendor are the Sale Shares and Sale Loan. The Sale Shares represent 100% of the total issued share capital of the Target. The Sale Loan represents the shareholder's loan, owing by the Target to the Vendor at Completion, which as at the date of the Disposal Agreement amounted to approximately HK\$26.1 million.

Consideration

The consideration for the Disposal of HK\$52,000,000 will be settled by the Purchaser in cash at Completion. The consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement with reference to the Valuation Report issued by B.I. Appraisals Limited, an independent valuer. The Valuation Report is based on the direct comparison method, assuming the Property is capable of being sold in existing state with the benefit of vacant possession, by making reference to comparable sale evidence available in the relevant market. The Property was valued at HK\$50 million as at 31 March 2015.

The Directors consider that the consideration for the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Condition precedent

Completion is conditional upon on or before the Completion Date that the Company and/or the Vendor having proved title to the Property in accordance with Section 13 and 13A of the Conveyancing and Property Ordinance (Cap.219) and to the reasonable satisfaction of the Purchaser.

Completion

Completion shall take place at 4:15 p.m. on the Completion Date which is on or before 31 July 2015 or such later date as the parties may mutually agree.

As at the date of this announcement, the Property is subject to the mortgage executed by the other subsidiary of the Group in favour of a bank. The Vendor shall procure the release of the above mentioned mortgage as soon as practicable upon Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in (i) short-term financing services in the PRC; (ii) property investments in Hong Kong; (iii) business of coal trading between the PRC and Indonesia; and (iv) business of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC.

The Property has been used by the Group to secure a bank loan bearing floating interest rate. The expected ending of the persistent low interest rate environment in the United States of America in near future may lead to the increase in future interest rate and interest expense of the Group, affecting the future profitability of the Group. The raising trend of interest rate will also indirectly affect investment sentiments and exert pressure in the Hong Kong industrial property market. Furthermore, the Property is currently vacant and rental income may not be improved in near future, the Board considers that the Disposal presents a good opportunity for the Company to realise its investment with a gain and to reduce the bank loan of the Group.

The net proceeds from the Disposal, after deducting the estimated expenses, of approximately HK\$51.7 million are intended to be applied for repayment of the bank loan for the Property and, subject to final decisions of the management of the Company, for the partial repayment of the cash portion of the earn-out consideration in relation to the acquisition of

the entire equity interests in and shareholder's loans to Prima Finance Holdings Limited completed on 25 June 2014 (details of earn-out consideration are set out in the announcement of the Company dated 4 February 2015).

The Board considers that the terms of the Disposal to be normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION OF THE DISPOSAL GROUP

The Target was incorporated in the BVI on 20 September 2011 and is principally engaged in investment holding. The principal asset of the Disposal Group is the interest in the Property which is legally and beneficially owned by the Target Subsidiary. The Property is located in an industrial building in Tuen Mun, Hong Kong with total gross floor area of approximately 18,294 square feet. As advised by the Directors, the Property is an investment property of the Group held to earn rental income.

Set out below are the unaudited consolidated financial information of the Disposal Group prepared in accordance with the Hong Kong Financial Reporting Standards for the financial years ended 31 March 2014 and 31 March 2015:

	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$</i>	<i>HK\$</i>
Net profit/(loss) before taxation	1,518,443	(50,977,062)
Net profit/(loss) after taxation	1,267,443	(50,726,062)

The unaudited consolidated net assets of the Disposal Group as at 31 March 2015 were approximately HK\$24.3 million.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will cease to have any interest in the Disposal Group. The financial results of the Disposal Group will no longer be consolidated in the financial statements of the Group.

The Group is expected to record a gain on disposal of approximately HK\$1.4 million, being the consideration for the Disposal less the current amount of net asset value of the Target Group of approximately HK\$24.2 million, the amount of the Sale Loan of approximately HK\$26.1 million and the estimated expenses for the Disposal of approximately HK\$0.3 million. 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.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the GEM Listing Rules is greater than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is only subject to the reporting and announcement requirements of the GEM Listing Rules.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“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
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the date of the Disposal Agreement or such other date as may be agreed in writing between the Vendor and the Purchaser provided that Completion shall take place no later than 31 July 2015 (or such later date as the parties hereto may agree in writing)
“Director(s)”	the director(s) of the Company from time to time
“Disposal”	the disposal of the Sale Shares, representing the entire equity interest of the Target and the Sale Loan, subject to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 9 June 2015 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Disposal Group”	the Target and the Target Subsidiary

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	a commercial property located at Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, which is legally and beneficially owned by the Target Subsidiary
“Purchaser”	Dynamic Harbour Limited, a company incorporated in Samoa with limited liability, and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser, and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Sale Loan”	the shareholder’s loan, owing by the Target to the Vendor at Completion, which as at the date of the Disposal Agreement amounted to approximately HK\$26.1 million
“Sale Shares”	50,000 ordinary shares of US\$1.00 each, being the entire issued share capital of the Target owned by the Vendor
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Foremost Star Investments Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company prior to the Completion

“Target Subsidiary”	Calneva Capital Limited, a company incorporated in Hong Kong with limited liability, its entire issued share capital is wholly-owned by the Target
“Valuation Report”	the valuation report issued by B.I. Appraisals Limited, an independent valuer, for determining the fair value of the Property as at 31 March 2015
“Vendor”	Star International Business Development Company Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company which holds the Sale Shares prior to the Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Capital Finance Holdings Limited
Mr. Han Jianli
Chairman and Chief Executive Officer

Hong Kong, 9 June 2015

As at the date of this announcement, the executive Directors are Mr. Han Jianli and Mr. Wong Wai Sing and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Du Hui and Mr. Chen Yihua.

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 Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company’s website at <http://www.capitalfinance.hk>.