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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)

PLACING OF NEW SHARES

FINANCIAL ADVISER



中泰國際
ZHONGTAI INTERNATIONAL

Zhongtai International Capital Limited

PLACING AGENT



一盈證券有限公司
I WIN SECURITIES LTD.

I Win Securities Limited

On 25 April 2019 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, whereby the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum of 96 million Placing Shares to independent Placees at a price of HK\$1.3 per Placing Share.

The maximum of 96 million Placing Shares represent (i) approximately 6.0% of the total number of existing issued shares of the Company's of 1,600 million; (ii) approximately 5.7% of the Company's total number of issued of Shares of 1,696 million as enlarged by the Placing.

The Placing Price represents (i) a discount of approximately 8.45% to the closing price of HK\$1.420 per Share as quoted on the Stock Exchange on the Last Trading Day, (ii) a discount of approximately 7.93% to the average closing price of approximately HK\$1.412 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 8.77% to the average closing price of approximately HK\$1.425 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Assuming that all the 96 million Placing Shares and issued under the Placing, the gross proceeds from the Placing will be up to a maximum of approximately HK\$124.8 million. The net proceeds of approximately HK\$123.5 million from the Placing are intended to be used to (i) pursue the strategy of the Company to the development of the Group's operations in Hong Kong, including commencing its business of financing the purchase of artworks in Hong Kong; and (ii) for general working capital use of the Company. The net proceeds raised per Placing Share upon the completion of the Placing will be approximately HK\$1.29 per Placing Share.

The Placing Shares will be issued pursuant to the General Mandate. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Placing Shares. The Placing is conditional upon, among other matters, the Listing Committee of the Stock Exchange agreeing to grant the listing of and permission to deal in the Placing Shares under the Placing.

Completion of the Placing is subject to the satisfaction of the conditions precedent contained in the Placing Agreement.

As the Placing may or may not finally proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date of the Placing Agreement: 25 April 2019 (after trading hours)

Parties to the Placing Agreement:

(a) **Issuer:** the Company

(b) **Placing Agent:** I Win Securities Limited

The Placing Agent has conditionally agreed to place a maximum of 96 million Placing Shares on a best effort basis. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of and not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in Listing Rules).

Placees

Under the Placing Agreement, the Placing Shares will be placed by the Placing Agent on a best effort basis to Placees who, and whose ultimate beneficial owners, will not be connected persons of the Company and will not be connected with the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). As the maximum number of Placing Shares represents about 6.0% of the total number of existing issued Shares, none of the Placees will become a substantial Shareholder (as defined in the Listing Rules) immediately after completion of the Placing. In the event that the number of Placees is less than six in numbers, further announcement will be made to provide details of the Placee(s) in compliance with the Listing Rules.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange agreeing to grant the listing of and permission to deal in the Placing Shares under the Placing.

Placing Shares

The maximum of 96 million Placing Shares represent (i) 6.0% of the total number of existing issued shares of the Company of 1,600 million (ii) approximately 5.7% of the Company's total number of issued shares of 1,696 million as enlarged by the Placing (assuming that no new Shares will be issued from the date of this announcement until Completion).

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$1.3 represents:

- (i) a discount of approximately 8.45% to the closing price of HK\$1.420 per Share as quoted on the Stock Exchange on the Last Trading Day,
- (ii) a discount of approximately 7.93% to the average closing price of approximately HK\$1.412 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 8.77% to the average closing price of approximately HK\$1.425 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Placing Price was determined after arm's negotiations between the Company and the Placing Agent with reference to the current market price of the Shares. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are on normal commercial terms and are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

General Mandate

The Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the annual general meeting held on 18 May 2018, subject to a limit up to 20% of the issued share capital of the Company as at the date of such annual general meeting. Under the General Mandate, the Company is authorized to issue up to 320 million Shares. Up to the date of this announcement, the Company has not exercised any of the General Mandate. The Company is therefore allowed to issue up to 320 million Shares under the General Mandate. Accordingly, the Placing is not subject to Shareholders' approval.

Immediately after completion of the Placing, assuming that the maximum of 96 million Shares will be issued under the General Mandate and that no other Shares will be agreed to be issued under the General Mandate, the balance of 224 million Shares will remain outstanding under the General Mandate.

Conditions of the Placing

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange agreeing to grant the listing of and permission to deal in the Placing Shares (either unconditionally or subject to conditions which are acceptable to the Company and the Placing Agent); and
- (ii) no representation, warranty or undertaking under this Agreement having been breached in any material respect by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the Completion Date.

If the conditions precedent are not satisfied by 24 May 2019 (or such later date as may be agreed by both the Company and the Placing Agent), the Placing will lapse and all rights, obligations and liabilities of the parties hereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against any other in respect of the Placing, save for any antecedent breaches of the Placing Agreement.

Termination

Notwithstanding anything contained in the Placing Agreement, if at any time on or prior to the Completion Date:

- (a) in the reasonable opinion of the Placing Agent, there shall have been, since the date of the Placing Agreement, such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (b) any material breach of any of the representations and warranties given by the Company under the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provisions of the Placing Agreement; or
- (c) any suspension of dealings in the Shares for more than five consecutive stock exchange trading days (other than as a result of the Placing); or
- (d) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Completion Date,

then and in any such case, the Placing Agent may after consultation with the Company (to the extent that the same is reasonably practicable) terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to the Completion Date.

Completion of the Placing

Subject to satisfaction of the conditions precedent contained in the Placing Agreement, completion of the Placing will take place at 12:00 noon on the second business day immediately following the fulfilment of the condition precedent as mentioned in item (i) under the above section headed “Conditions of the Placing” of this announcement.

Application for Listing

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

Completion of the Placing is subject to the satisfaction of the condition(s) precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

OTHER INFORMATION ON THE PLACING

Reasons for the Placing and Use of Proceeds

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to enhance the capital base of the Company and to expand the Group’s auction operations and related financing operations in Hong Kong.

As mentioned in the Company’s 2018 annual report, the Group is aware of strong demand for artwork auction financing and it is considering to develop new financing option for the Group’s auctions. In particular, there is a strong demand for pre-auction and post-auction financing from both artwork sellers and buyers. The Group from time to time receives enquiries from collectors for pre-sales and/or pre-auction financing request, i.e. prepayment before the sales of artwork through private sales/auction. There have also been enquiries and/or requests from artwork buyers for financing artwork in the Group’s auction and private sales. Hong Kong is considered as one of the central points for pooling of international artwork collectors and buyers for auction and private sales of artworks. By providing in Hong Kong pre-auction financing to sellers of artwork and by providing post-auction financing to buyers to leverage their purchase power, the Group will enhance its art financing business and thereby facilitate the auction business volume in Hong Kong. In particular, pre-auction financing will motivate artwork collectors to appoint the Group for sales of their artworks, i.e. expanding the business volume and types of artworks. While the post-auction financing will increase the transaction rate by enhancing the buyers’ participation in our auctions. It is expected that the Group’s competitiveness in the artwork market will be enhanced. Further, the financing arrangements to be provided to borrowers will carry interests, and will thereby provide additional interest income to the Group.

Assuming that all the 96 million Placing Shares are issued under the Placing, the gross proceeds from the Placing will be equal to approximately HK\$124.8 million, and the net proceeds (after deducting the placing fee, legal and professional fees and publication fees payable by the Company) will be approximately HK\$123.5 million. Such net proceeds are intended to be used (i) as to about 90%, to pursue the strategy of the Company to the development of the Group's operations in Hong Kong, including the commencement of the Group's business of pre-auction financing to sellers (as well as post-auction financing to purchasers) of artworks in Hong Kong; and (ii) as to the remaining 10%, for general working capital use of the Company. The net proceeds raised per Placing Share upon the completion of the Placing will be approximately HK\$1.29 per Placing Share. The aggregate nominal value of share capital for the Placing Shares is HK\$960,000.

The Directors (including the independent non-executive Directors), taking into account the above benefits to the Company, therefore consider that the Placing and the terms of the Placing Agreement (including the Placing Price) to be normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Fund raising activities in the past 12 months

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

Effect on shareholding structure

The existing and enlarged shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Placing (assuming that all the Placing Shares are issued under the Placing, and that there are no other changes in the issued share capital of the Company) are set out below:

	As at the date of this announcement		Immediately after completion of the Placing	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
<i>Substantial shareholders</i>				
Mr. ZJ Fan and parties acting in concert with him	1,089,460,000	68.09	1,089,460,000	64.24
<i>Public Shareholders</i>				
The Placees	—	—	96,000,000	5.66
Others	<u>510,540,000</u>	<u>31.91</u>	<u>510,540,000</u>	<u>30.10</u>
Total:	<u>1,600,000,000</u>	<u>100.00</u>	<u>1,696,000,000</u>	<u>100.00</u>

Notes:

1. The number of existing Shares held by the Shareholders mentioned in the above table is based on the register of interest kept by the Company pursuant to Section 336 of the SFO as at the date of this announcement.

2. Intelligenesis Inv is held as to 69.5% by Golden Sand Inv, which is in turn held as to 74.1% by Mauve Jade Inv, which is in turn held as to 67.2% by Mr. ZJ Fan and 32.8% by Ms. Fan Qinzhi. By virtue of the SFO, Golden Sand Inv, Mauve Jade Inv and Ms. ZJ Fan are deemed to be interested in the same parcel of Shares in which Intelligenesis Inv is interested. By virtue of certain acting-in-concert confirmation, Mr. ZJ Fan, Ms. Fan Qinzhi, Mr. Fan Yajun, Ms. Wu Jian and Ms. Xu Min are parties acting in concert with each other in connection with business and their voting rights over the Group and they together control the said 1,089,460,000 Shares through Golden Sand Inv and Intelligenesis Inv.

GENERAL

The Company is an investment holding company. The principal activities of the Company's subsidiaries include the provision of art finance service under two business segments: (i) art and asset pawn business and (ii) art and asset auction business.

PUBLICATION OF THE ANNOUNCEMENT

The announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and at the website of the Company www.cnartfin.com.hk.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below, unless the context requires otherwise:

“associates”	has the meaning given to that term in the Listing Rules
“Board”	the board of Directors
“business day”	any day (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	China Art Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	second business day immediately following the fulfilment of the condition precedent as mentioned in item (i) under the above section headed “Placing Agreement — Conditions of the Placing” in the main text of this announcement
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Director(s)”	director(s) of the Company

“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting held on 18 May 2018 to issue and allot up to 320 million new Shares, representing 20% of the aggregate number of the issued Shares of the Company on the date of the meeting
“Golden Sand Inv”	Golden Sand Investment Company Limited (金砂投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a shareholder of Intelligenesis Inv
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Intelligenesis Inv”	Intelligenesis Investment Co., Ltd (漢信投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a Controlling Shareholder of the Company
“Last Trading Day”	24 April 2019, being the last trading day for the Shares immediately before the date of the Placing Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mauve Jade Inv”	Mauve Jade Investment Limited (紫玉投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a shareholder of Golden Sand Inv
“Mr. ZJ Fan”	Mr. Fan Zhijun (范志軍), an executive Director and one of the Controlling Shareholders of the Company through his interest in Intelligenesis Inv
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	placing of a maximum of 96 million new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	I Win Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the SFO

“Placing Agreement”	the conditional placing agreement dated 25 April 2019 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$1.3 per Placing Share
“Placing Shares”	96 million new Shares to be placed under the Placing
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	having the meaning ascribed thereto in the Listing Rules
“Yubo Inv”	Yubo Investment Co. Ltd (宇博投資有限公司), a company incorporated under in the British Virgin Islands with limited liability and a shareholder of Intelligenes Inv
“%”	per cent.

By order of the Board
China Art Financial Holdings Limited
Fan Zhijun
Chairman

Hong Kong, 25 April 2019

As at the date of this announcement, the Board comprises (1) Mr. Fan Zhijun and Mr. Zhang Bin as the executive Directors and (2) Mr. Leung Shu Sun, Sunny, Mr. Liu Jian and Mr. Chu Xiaoliang as the independent non-executive Directors.