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## **CONVOY FINANCIAL SERVICES HOLDINGS LIMITED**

### **康宏理財控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1019)**

### **DISCLOSEABLE TRANSACTION**

The Board announces that

- (i) on 8 April 2011, CCIA, the Existing Shareholders and Beijing Bisheng entered into the First Capital Increase Agreement. Pursuant to the First Capital Increase Agreement, CCIA agreed to inject RMB14,000,000 (equivalent to approximately HK\$17,117,800) into Beijing Bisheng. The First Capital Increase Agreement and the transaction contemplated thereby have not been completed as at the date of this announcement; and
- (ii) on 18 October 2012, CCIA, the Existing Shareholders and Beijing Bisheng entered into the Supplemental Capital Increase Agreement to supplement and amend certain terms and conditions as set out in the First Capital Increase Agreement, including the amount of capital injection.

Pursuant to the Capital Increase Agreements, CCIA agreed to inject RMB38,000,000 (equivalent to approximately HK\$46,462,600) into Beijing Bisheng and Mr. Gao agreed to inject RMB6,000,000 (equivalent to approximately HK\$7,336,200) into Beijing Bisheng.

As each of the applicable percentage ratios as defined in the Listing Rules is less than 5%, the First Agreed Capital Injection does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

However, certain terms and conditions of the First Capital Increase Agreement (including the amount of capital injection) are supplemented and amended by the Supplemental Capital Increase Agreement. As one or more of the applicable percentage ratios as defined in the Listing Rules for the transaction contemplated under the Capital Increase Agreements exceed 5% but none of them exceeds 25%, the Final Agreed Capital Injection constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Final Agreed Capital Injection is therefore subject to the reporting and announcement requirements under the Listing Rules.

## **INTRODUCTION**

The Board announces that

- (i) on 8 April 2011, CCIA, the Existing Shareholders and Beijing Bisheng entered into the First Capital Increase Agreement. Pursuant to the First Capital Increase Agreement, CCIA agreed to inject RMB14,000,000 (equivalent to approximately HK\$17,117,800) into Beijing Bisheng. The First Capital Increase Agreement and the transaction contemplated thereby have not been completed as at the date of this announcement; and
- (ii) on 18 October 2012, CCIA, the Existing Shareholders and Beijing Bisheng entered into the Supplemental Capital Increase Agreement to supplement and amend certain terms and conditions as set out in the First Capital Increase Agreement, including the amount of capital injection.

Pursuant to the Capital Increase Agreements, CCIA agreed to inject RMB38,000,000 (equivalent to approximately HK\$46,462,600) into Beijing Bisheng and Mr. Gao agreed to inject RMB6,000,000 (equivalent to approximately HK\$7,336,200) into Beijing Bisheng.

## **CAPITAL INCREASE AGREEMENTS**

**Dates** 8 April 2011 (being the date of the First Capital Increase Agreement) and 18 October 2012 (being the date of the Supplemental Capital Increase Agreement)

**Parties**

- (i) CCIA
- (ii) Existing Shareholders
- (iii) Beijing Bisheng

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Existing Shareholders, Beijing Bisheng and the ultimate beneficial owner of the respective counterparties are third parties independent to the Company and its connected person(s) (as defined under the Listing Rules).

## **Transaction**

Pursuant to the Capital Increase Agreements, CCIA agreed to inject RMB38,000,000 (equivalent to approximately HK\$46,462,600) into Beijing Bisheng and Mr. Gao agreed to inject RMB6,000,000 (equivalent to approximately HK\$7,336,200) into Beijing Bisheng.

The amount of the Final Agreed Capital Injection was to be made in cash and determined after arm's length negotiations between CCIA, the Existing Shareholders and Beijing Bisheng with reference to (i) the registered capital of Beijing Bisheng of RMB6,000,000 (equivalent to approximately HK\$7,336,200) which had been fully paid up by the Existing Shareholders and the potential development prospect of Beijing Bisheng; (ii) the revenue of Beijing Bisheng for the financial year ended 31 December 2010 and 31 December 2011; and (iii) the prospects and growth potential of Beijing Bisheng which could enhance the turnover and profit of the Group. The Final Agreed Capital Injection would be satisfied by internal resource of the Company.

### **Conditions Precedent**

The payment of the Final Agreed Capital Injection shall be subject to, among others, the following conditions precedent:

- (i) due diligence shall have been completed, with result consistent with relevant representations concerning Beijing Bisheng's situation in the Capital Increase Agreements;
- (ii) all the representations, warranties and undertakings given by Beijing Bisheng and the Existing Shareholders under the Capital Increase Agreements shall remain true, sufficient and complete without falsity or significant omission or matters which would affect the judgment of CCIA in relation to those facts relevant to its entering into of the Capital Increase Agreements;
- (iii) the Capital Increase Agreements and the transactions contemplated thereunder shall be legal and valid;
- (iv) the approval from the Existing Shareholders and the board of directors of Beijing Bisheng in respect of, among others, the Capital Increase Agreements and the transactions contemplated thereunder shall have been obtained; and
- (v) the approval from the board of directors of CCIA in respect of, among others, the Capital Increase Agreements and the transactions contemplated thereunder shall have been obtained.

In the event that the conditions precedent to the payment of the Final Agreed Capital Injection are not fulfilled or waived on or before 31 January 2013 (or such other day as agreed between the parties thereto), the Capital Increase Agreements shall terminate and no party shall have any claim of any nature whatsoever against the other parties under the Capital Increase Agreements (save in respect of its accrued rights arising from any prior breach of the Capital Increase Agreements).

Under the Capital Increase Agreements, CCIA and Mr. Gao agreed to inject RMB38,000,000 (equivalent to approximately HK\$46,462,600) and RMB6,000,000 (equivalent to approximately HK\$7,336,200) into Beijing Bisheng, respectively, on or before 31 January 2013 (or such other day as agreed between the parties thereto) subject to the fulfilment of the conditions precedent to the payment of the aggregate capital injection.

## **Completion of the Final Agreed Capital Injection**

The completion of the Final Agreed Capital Injection will occur on the day of registration of the change with the Beijing Administration for Industry and Commerce. Upon the completion of the Final Agreed Capital Injection, the registered capital of Beijing Bisheng is RMB50,000,000, held as to 76.00% by CCIA, 19.08% by Mr. Gao and 4.92% by the Existing Shareholders (excluding Mr. Gao).

Upon completion of the Final Agreed Capital Injection, Beijing Bisheng will become an indirectly non wholly-owned subsidiary of the Company and its financial information will be consolidated into the Group.

Under the Capital Increase Agreements, in the event that Beijing Bisheng is not granted a nationwide insurance license by the China Insurance Regulatory Commission that permits it to provide nationwide insurance agency services in the PRC before 31 January 2013 (or such other day as agreed by CCIA in writing), CCIA may make a written request to the Existing Shareholders and the Existing Shareholders shall, upon receipt of such written request, acquire, on the date specified in the said written request, the entire or partial equity interest in Beijing Bisheng held by CCIA at the price which is equivalent to the aggregate of the amount of capital injection made by CCIA in Beijing Bisheng and the amount of distributable profit of Beijing Bisheng entitled by CCIA, failing which, Beijing Bisheng will, and the Existing Shareholders will guarantee to, reduce the registered capital of Beijing Bisheng and refund the entire or partial capital injection made by CCIA in Beijing Bisheng to CCIA.

## **INFORMATION ABOUT THE COMPANY, THE GROUP & CCIA**

The Company is an investment holding company. The Group is principally engaged in independent financial advisory business.

CCIA is a company incorporated in Hong Kong with limited liability and is an indirectly non wholly-owned subsidiary of the Company. CCIA is engaged in the provision of insurance agency services in Hong Kong and is certified to be capable of setting up wholly-owned insurance agency business in the PRC under the Mainland and Hong Kong Closer Economic Partnership Agreement.

## **INFORMATION ABOUT BEIJING BISHENG**

Beijing Bisheng is a company incorporated in the PRC with limited liability and is directly held by the Existing Shareholders. Beijing Bisheng is engaged in the provision of insurance agency services and holds an insurance agent licence issued by China Insurance Regulatory Commission that permits it to provide insurance agency services in Beijing.

Beijing Bisheng was ranked number four in Beijing based on the revenue for agency insurance premium for the first three quarters of 2011 and number five in Beijing based on the income from insurance agent commission for the first three quarters of 2011 according to a summary of the market operation situation of insurance agency in Beijing for the first three quarters of 2011 prepared by the Office of the Beijing Bureau of the China Insurance Regulatory Commission. As at 25 September 2012, Beijing Bisheng had 809 consultants licensed with China Insurance Regulatory Commission who were eligible to sell insurance products in Beijing.

The unaudited net liability value of Beijing Bisheng as prepared in accordance with the PRC GAAP was approximately RMB13,333,635 (equivalent to approximately HK\$16,303,036) as at 30 September 2012. The audited net loss before and after taxation and extraordinary items of Beijing Bisheng as prepared in accordance with the PRC GAAP were approximately RMB5,502,688 (equivalent to approximately HK\$6,728,137) and RMB5,502,688 (equivalent to approximately HK\$6,728,137) respectively for the financial year ended 31 December 2011 while the audited net loss before and after taxation and extraordinary items of Beijing Bisheng as prepared in accordance with the PRC GAAP were approximately RMB2,392,321 (equivalent to approximately HK\$2,925,091) and RMB2,392,321 (equivalent to approximately HK\$2,925,091) respectively for the financial year ended 31 December 2010. The audited revenue of Beijing Bisheng as prepared in accordance with the PRC GAAP for the financial years ended 31 December 2010 and 31 December 2011 were RMB17,096,945 (equivalent to approximately HK\$20,904,435) and RMB20,226,706 (equivalent to approximately HK\$24,731,193) respectively.

## **REASONS FOR THE TRANSACTIONS**

The Company is of the view that the transactions contemplated under the Capital Increase Agreements could strengthen the future development of the Group and facilitate the Group to implement the “regional expansion” strategy which aims at setting the Group as one of the largest quality independent financial advisory companies in Asia by way of acquisition and development of insurance agent, insurance broker, investment consultancy firm and independent financial advisory companies in the regions including the PRC (details of the said “regional expansion” strategy was disclosed in the annual report 2011 of the Company). The Company also considers that the transactions contemplated under the Capital Increase Agreements would let the Group have a useful platform to implement its business expansion in the PRC at a reasonable cost and timely fashion.

The Directors believe that the terms of the Capital Increase Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As each of the applicable percentage ratios as defined in the Listing Rules is less than 5%, the First Agreed Capital Injection does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

However, certain terms and conditions of the First Capital Increase Agreement (including the amount of capital injection) are supplemented and amended by the Supplemental Capital Increase Agreement. As one or more of the applicable percentage ratios as defined in the Listing Rules for the transaction contemplated under the Capital Increase Agreements exceed 5% but none of them exceeds 25%, the Final Agreed Capital Injection constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Final Agreed Capital Injection is therefore subject to the reporting and announcement requirements under the Listing Rules.

## DEFINITIONS

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

“Beijing Bisheng”	means 北京碧升保險代理有限公司 (Beijing Bisheng Insurance Agency Limited*), a company incorporated in the PRC with limited liability; as at the date of this announcement, the registered capital of Beijing Bisheng is RMB6,000,000 (equivalent to approximately HK\$7,336,200), which is directly held by the Existing Shareholders
“Board”	means the board of Directors
“business day”	means any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong and the PRC are generally open for business throughout their normal business hours
“Capital Increase Agreements”	means collectively the First Capital Increase Agreement and the Supplemental Capital Increase Agreement
“CCIA”	means Convoy China Insurance Agency Co., Limited, a company incorporated in Hong Kong, which is an indirectly non wholly-owned subsidiary of the Company; as at the date of this announcement, the entire issued share capital of CCIA is directly wholly-owned by CCIA Holdings Limited which is in turn directly held by Convoy China Limited and independent third parties as to 72.45% and 27.55% respectively and Convoy China Limited is directly wholly-owned by the Company

“Company”	means Convoy Financial Services Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1019)
“Director(s)”	means director(s) of the Company
“Existing Shareholders”	means Mr. Gao Lijun (高立軍先生), Ms. Zhou Lan (周瀾女士), Ms. Zhang Qi (張琪女士) and Ms. Liu Lanfang (劉蘭芳女士), who are independent to the Company and its connected person (as defined under the Listing Rules)
“Final Agreed Capital Injection”	means the capital injection in the amount of RMB38,000,000 (equivalent to approximately HK\$46,462,600) to be made by CCIA into Beijing Bisheng pursuant to the Capital Increase Agreements
“First Agreed Capital Injection”	means the capital injection in the amount of RMB14,000,000 (equivalent to approximately HK\$17,117,800) to be made by CCIA into Beijing Bisheng pursuant to the First Capital Increase Agreement
“First Capital Increase Agreement”	means the capital increase agreement dated 8 April 2011 entered into between CCIA, the Existing Shareholders and Beijing Bisheng in respect of the capital injection in the amount of RMB14,000,000 (equivalent to approximately HK\$17,117,800) to be made by CCIA into Beijing Bisheng
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Gao”	means Mr. Gao Lijun (高立軍先生), who is one of the Existing Shareholders and is independent to the Company and its connected person (as defined under the Listing Rules)
“PRC GAAP”	means the PRC General Accepted Accounting Practices

“PRC”	means the People’s Republic of China
“RMB”	means Renminbi, the lawful currency of the PRC
“Share(s)”	means ordinary issued share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	means holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Supplemental Capital Increase Agreement”	means the supplemental capital increase agreement dated 18 October 2012 entered into between CCIA, the Existing Shareholders and Beijing Bisheng which has amended certain terms and conditions of the First Capital Increase Agreement
“%”	means per cent.

\* For identification purpose only.

\*\* For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.2227 has been used for currency translation. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount in HK\$ or RMB have been, could have been or may be converted at such or another rate or at all.

By Order of the Board  
**CONVOY FINANCIAL SERVICES HOLDINGS LIMITED**  
**Wong Lee Man**  
*Chairman*

Hong Kong, 18 October 2012

*As at the date of this announcement, the executive directors of the Company are Mr. Wong Lee Man (Chairman), Ms. Fong Sut Sam and Mr. Mak Kwong Yiu and the independent non-executive directors of the Company are Mrs. Fu Kwong Wing Ting, Francine, Dr. Wu Ka Chee, Davy and Mr. Ma Yiu Ho, Peter.*