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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)

PLACING OF NON-LISTED WARRANTS



Convoy Investment Services Limited

THE WARRANT PLACING AGREEMENT

On 25 February 2013 (after trading hours), the Company entered into the Warrant Placing Agreement with the Placing Agent in connection with the Warrant Placing, pursuant to which the Placing Agent agreed to place, on a best effort basis, 40,000,000 Warrants (I) and 40,000,000 Warrants (II) conferring rights to subscribe for respectively 40,000,000 Warrants Shares and 40,000,000 Warrants Shares at the Warrant Exercise Price of HK\$1.41 per Warrant Share (subject to adjustment upon the occurrence of the Adjustment Events) to not less than six Warrant Placees who and their respective ultimate beneficial owners are Independent Third Parties. Each Warrant (I) and Warrant (II) carries the right to subscribe for one (1) Warrant Share.

The Warrants (I) and the Warrants (II) are to be placed at a Warrant Placing Price of HK\$0.01 each. The Warrant Placing is conditional upon several conditions as set out in the paragraph headed "Conditions of the Warrant Placing" in the section headed "The Warrant Placing Agreement" in this announcement.

The Warrant Shares will be issued under the General Mandate. The Warrant Placing is conditional upon: (i) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the Warrants (I) and the Warrants (II) either unconditionally or subject to conditions to which neither the Company nor the Warrant Placees shall reasonably object and the satisfaction of such conditions; (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Warrants Shares; and (iii) all necessary consents and approvals to be obtained on the part of Placing Agent and the Company in respect of the Warrant Placing Agreement and the transactions contemplated thereunder having been obtained.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II). No listing of the Warrants (I) or the Warrants (II) will be sought on the Stock Exchange or any other stock exchanges.

USE OF PROCEEDS

It is expected the net proceeds of approximately HK\$0.6 million (with a net issue price of approximately HK\$0.007 per Warrant (I) or Warrant (II)) will be raised by the Warrant Placing and the same will be utilised by the Group as general working capital of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II), it is expected a further approximately HK\$112.8 million will be raised. The net proceeds of approximately HK\$112.7 million (with a net subscription price of approximately HK\$1.41 per Warrant Share) will be used for general working capital of the Group.

THE WARRANT PLACING AGREEMENT

Date

25 February 2013

Issuer

The Company

Placing Agent

Convoy Investment Services Limited, is a company incorporated in Hong Kong with limited liability and is a subsidiary of Convoy Financial Group Limited which is a controlling Shareholder interested in 75% of the issued share capital of the Company. As such, the Placing Agent is a connected person of the Company within the meaning of the Listing Rules. The Placing Agent will charge the Company a placing commission of 3% on the aggregate Warrant Placing Price in respect of such number of Warrants (I) and Warrants (II) placed by it (i.e. a maximum of HK\$24,000). No commission will be charged by the Placing Agent in respect of the subscription money as may be received by the Company upon exercise of the subscription rights attaching to the Warrants (I) or the Warrants (II).

The Warrant Placing commission was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the market rate and the price performance of the Shares. The Directors consider that the terms of the Warrant Placing, including the Warrant Placing commission, are fair and reasonable based on the current market conditions and the Warrant Placing is in the interests of the Company and the Shareholders as a whole.

Warrant Placees

The Warrants (I) and the Warrants (II) will be placed to not less than six Warrant Placees (which will be independent corporate and/or institutional investors, and who and whose ultimate beneficial owners are Independent Third Parties). Each Warrant Placee shall subscribe for both Warrant (I) and Warrant (II) and in same number.

Number of Warrants

Warrants (I) – 40,000,000
Warrants (II) – 40,000,000

Warrant Placing Price

The Warrant Placing Price is HK\$0.01 for each of Warrant (I) and Warrant (II).

Warrant Exercise Price

The Warrant Exercise Price for both Warrant (I) and Warrant (II) is HK\$1.41 per Warrant Share, subject to adjustment upon the occurrence of the Adjustment Events.

The Warrant Exercise Price of HK\$1.41 per Warrant Share represents: (i) the closing price per Share quoted on the Stock Exchange on the Last Trading Day, and (ii) a premium of approximately 6.66% over the average of the closing prices of HK\$1.322 per Share for the last five trading days for the Shares immediately preceding the Last Trading Day. The aggregate of the Warrant Placing Price of HK\$0.01 per Warrant and the Warrant Exercise Price of HK\$1.41 per Share, i.e. HK\$1.42, represents: (i) a premium of approximately 0.71% over the closing price of HK\$1.41 per Share quoted on the Stock Exchange on the Last Trading Day, and (ii) a premium of approximately 7.41% over the average of the closing prices of HK\$1.322 per Share for the last five trading days for the Shares immediately preceding the Last Trading Day.

The Warrant Placing Price and the Warrant Exercise Price are determined based on negotiations on arm's length basis between the Company and the Placing Agent with reference to the current market sentiment, liquidity flow in the capital market and the historical Share price. The Directors consider that the Warrant Placing Price and Warrant Exercise Price are fair and reasonable.

The Warrant Placing Completion Date

Completion of the Warrant Placing is expected to take place on any date falling on or before the third Business Day after fulfilment of the conditions precedent to the Warrant Placing.

Information of the Warrants

The Warrants (I) and the Warrants (II) will be issued to the Warrant Placees upon completion of the Warrant Placing in registered form and constituted by a deed poll. Save for the subscription period, each of the Warrants (I) and Warrants (II) will rank pari passu in all respects among themselves.

Each of the Warrant (I) and Warrant (II) carries the right to subscribe for one (1) Warrant Share at the Warrant Exercise Price and is issued at the Warrant Placing Price.

The subscription rights attaching to the Warrant (I) may be exercised at any time during the period commencing from 1 January 2015 and up to five years from the date of issue of the Warrant (I). The subscription rights attaching to the Warrant (II) may be exercised at any time during the period commencing from 1 January 2016 and up to five years from the date of issue of the Warrant (II). The Warrant Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares of the Company.

A total of 40,000,000 Warrants (I) and 40,000,000 Warrants (II) are proposed to be issued. Assuming all the Warrants (I) and Warrants (II) are placed out, a total of 80,000,000 Warrant Shares may fall to be issued upon full exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II), representing: (i) 20% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants (I) and Warrants (II).

Transferability

The Warrants (I) and Warrants (II) are transferable in integral multiples of 1,000,000. In the event of a transfer of the Warrants (I) and/or Warrants (II) to a connected person (as defined in the Listing Rules) of the Company, prior approval from the Company and the Stock Exchange will be obtained. The Company undertakes to comply with the relevant Listing Rules and to make necessary announcement(s), where appropriate, if and when any of the Warrant Placees make any transfer of the Warrants to other parties requiring disclosure.

Termination of the Warrant Placing Agreement

The Placing Agent shall be entitled by notice to the Company given prior to 6:00 p.m. on the day immediately preceding the Warrant Placing Completion Date to terminate the Warrant Placing Agreement if

- (i) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the reasonable opinion of the Placing Agent and in its reasonable discretion may materially and adversely affect the business or financial condition or prospects of the Group as a whole; or

- (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the reasonable opinion of the Placing Agent and in its reasonable discretion will, or may be expected to, have a material adverse effect on the Warrant Placing; or
- (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the reasonable opinion of the Placing Agent and in its reasonable discretion has or may have a material adverse effect on the Warrant Placing; or
- (ii) any breach of any of the warranties given by the Company which in the reasonable opinion of the Placing Agent and in its reasonable discretion is material in the context of the Warrant Placing, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Warrant Placing Agreement which in the reasonable opinion of the Placing Agent and in its absolute discretion is material in the context of the Warrant Placing; or
- (iii) there is any adverse change in the business or in the financial or trading position of the Group taken as a whole which being unaware of by the Placing Agent and in the reasonable opinion of the Placing Agent and in its reasonable discretion is material in the context of the Warrant Placing,

then and in any such case, the Placing Agent may, in its reasonable discretion, terminate the Warrant Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to the Warrant Placing Completion Date.

If the Warrant Placing Agreement is so terminated, all obligations of each party under the Warrant Placing Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the Warrant Placing Agreement except for any antecedent breach thereof.

Conditions of the Warrant Placing

Completion of the Warrant Placing Agreement is conditional on, among the other matters, the fulfillment of the following conditions on or before 15 March 2013 (or such later time and date as the Placing Agent and the Company shall agree in writing):

- (a) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the Warrants (I) and the Warrants (II) either unconditionally or subject to conditions to which neither the Company nor the Warrant Placees shall reasonably object and the satisfaction of such conditions;

- (b) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Warrant Placees shall reasonably object) the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants (I) and the Warrants (II); and
- (c) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Warrant Placing Agreement and the transactions contemplated thereunder having been obtained.

In the event that the above conditions are not fulfilled by 15 March 2013 or such later date as may be agreed between the Company and the Placing Agent, the Warrant Placing Agreement will lapse and become null and void and the parties shall be released from all obligations thereunder, save for any antecedent breaches thereof.

Voting rights for the holders of the Warrants

The holder of the Warrants (I) or Warrants (II) will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants (I) or Warrants (II). The holder of the Warrants (I) or Warrants (II) shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Rights of the holders of the Warrants on the liquidation of the Company

If the Company is wound up during the subscription period of the Warrants (I) or Warrants (II), all subscription rights attaching to the Warrants (I) or Warrants (II) which have not been exercised shall lapse, save for in the event of a voluntary winding-up, the holders of the Warrants (I) or Warrants (II) shall be entitled within six weeks after the passing of such a resolution approving the winding-up to exercise the subscription rights attaching to the Warrants (I) or Warrants (II) in accordance with the terms and conditions of the Warrants (I) and Warrants (II) respectively.

General Mandate to issue the Warrant Shares

The issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants (I) or the Warrants (II) is not subject to Shareholder's approval.

The Warrant Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 13 June 2012 subject to the limit of 80,000,000 Shares (representing 20% of the issued share capital of the Company as at 13 June 2012). Immediately before the date of the Warrant Placing Agreement, the General Mandate has not been utilized. The maximum of 80,000,000 Warrant Shares as may be allotted and issued upon full exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II) will utilise the General Mandate in full.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II). No listing of the Warrants (I) or the Warrants (II) will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE WARRANT PLACING

The Group is principally engaged in independent financial advisory business.

The Board considers that the Warrant Placing represents good opportunities to raise additional funds for the Company while broadening the Shareholder and capital base of the Company. In addition, the Warrants (I) and the Warrants (II) are not interest bearing and the Warrant Placing will not be resulted in any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that will be raised upon completion of the Warrant Placing, further capital may be raised upon the exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II) by the holders thereof during the subscription period.

In view of the immediate inflow of approximately HK\$0.6 million upon completion of the Warrant Placing, coupled with the potential inflow of further capital upon the exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II), the Directors are of the view that the Warrant Placing provides a good opportunity to strengthen the Company's financial position. In the event the Warrant Placees fully exercise their subscription rights attaching to the Warrants (I) and the Warrants (II), further funds of HK\$112.7 million will be received to cater for future needs for its general working capital.

In view of the above, the Board considers that the terms of the Warrant Placing are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

It is expected the net proceeds of approximately HK\$0.6 million (with a net issue price of approximately HK\$0.007 per Warrant (I) or Warrant (II)) will be raised by the Warrant Placing and the same will be utilised by the Group as general working capital of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants (I) and Warrants (II), it is expected a further approximately HK\$112.8 million will be raised. The net proceeds of approximately HK\$112.7 million (with a net subscription price of approximately HK\$1.41 per Warrant Share) will be used for general working capital of the Group.

Other than the Warrant Shares as may be issued upon the exercise of all Warrants (I) and Warrants (II), there are no options, warrants or other subscription rights convertible or exercisable into the issued Shares as at the date of this announcement.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

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

Changes in shareholding structure of the Company

Assuming there being no other changes in the share capital of the Company, the changes of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II) in full are as follows:

Shareholders	At the date of this announcement		Immediately upon exercise of the subscription rights attaching to the Warrants (I) and the Warrants (II) in full	
	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate percentage</i>
Convoy Financial Group Limited (<i>note</i>)	300,000,000	75%	300,000,000	62.5%
Public Shareholders:				
– Warrant Placees	–	–	80,000,000	16.7%
– Other Shareholders	100,000,000	25%	100,000,000	20.8%
Total	<u>400,000,000</u>	<u>100.0%</u>	<u>480,000,000</u>	<u>100%</u>

Note: The 300,000,000 Shares are held by Convoy Financial Group Limited which is owned as to approximately 43.8% by Convoy Inc. and 56.2% by Perfect Team Group Limited. Perfect Team Group Limited is owned as to 84.5% by Convoy Inc. and 15.5% by 21 individuals. Convoy Inc., a company incorporated in the British Virgin Islands with limited liability on 29 January 2001, is owned by Ms. Fong Sut Sam (a Director), Mr. Wong Lee Man (a Director) and Mr. Mak Kwong Yiu (a Director) as to approximately 20.97%, 21.02% and 5.76% respectively.

DEFINITIONS

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

“Adjustment Events”	(1) alteration to the nominal amount of each of the Shares by reason of any subdivision or consolidation of Shares; or (2) issue of Shares by way of capitalization of profit or reserves; or (3) capital distribution to all Shareholders or grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; or (4) offer to the Shareholders new Shares for subscription by way of rights; or grant of any options or warrants to all Shareholders to subscribe for new Shares, at a price which is less than 95% of the market price; or (5) issue for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares and the effective consideration per new Share receivable for such securities is less than 95% of the market price; or (6) issue for cash any Shares at a price which is less than 95% of the market price; or (7) the repurchase of any Shares or securities convertible into Shares or any rights to acquire Shares by the Company to which the Directors consider an adjustment being necessary
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Convoy Financial Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 13 June 2012, pursuant to which a maximum of 80,000,000 new Shares may fall to be allotted and issued
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	parties which are not connected persons (as defined under the Listing Rules) of the Company and are independent of the Company and its connected persons (as defined under the Listing Rules)

“Last Trading Day”	25 February 2013, being the last trading day for the Shares before the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing Agent”	Convoy Investment Services Limited, a licensed corporation to carry out business in types 1, 2 and 4 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s) (I)”	up to 40,000,000 non-listed warrants to be issued by the Company at the Warrant Placing Price, each entitles the holder thereof to subscribe for one Warrant Share at the Warrant Exercise Price at any time during the period commencing from 1 January 2015 and up to five years from the date of issue of the Warrants (I)
“Warrant(s) (II)”	up to 40,000,000 non-listed warrants to be issued by the Company at the Warrant Placing Price, each entitles the holder thereof to subscribe for one Warrant Share at the Warrant Exercise Price at any time during the period commencing from 1 January 2016 and up to five years from the date of issue of the Warrants (II)
“Warrant Exercise Price”	an initial exercise price of HK\$1.41 per Warrant Share (subject to adjustment upon the occurrence of the Adjustment Events) at which holder of the Warrants (I) or the Warrants (II) may subscribe for the Warrant Share(s)
“Warrant Placees”	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 Warrants (I) and the Warrants (II) pursuant to the Warrant Placing Agreement
“Warrant Placing”	the placing, on a best effort basis, of the Warrants (I) and the Warrants (II) pursuant to the terms of the Warrant Placing Agreement

“Warrant Placing Agreement”	the conditional placing agreement dated 25 February 2013 and entered into between the Company and the Placing Agent in relation to the Warrant Placing
“Warrant Placing Completion Date”	any date falling on or before the third Business Day after the conditions precedent to Warrants Placing are satisfied (or such later date as may be agreed between the parties thereto)
“Warrant Placing Price”	HK\$0.01, being the issue price for each Warrant (I) and Warrant (II) payable in full on application under the Warrant Placing Agreement
“Warrant Shares”	up to 80,000,000 new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants (I) and Warrants (II)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Convoy Financial Services Holdings Limited
Wong Lee Man
Chairman

Hong Kong, 25 February 2013

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.