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CONVOY FINANCIAL HOLDINGS LIMITED

康宏金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1019)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



The Company has entered into a conditional placing agreement with the Placing Agent on 30 September 2014 (after trading hours), under which the Placing Agent will use its best efforts to place up to 95,820,000 Placing Shares to not fewer than six Placees who are Independent Third Parties. The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the then Shareholders passed at the annual general meeting of the Company held on 26 May 2014. If all of the Placing Shares are placed, they represent (i) approximately 18.47% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares pursuant to the Placing. It is expected that no Placee will become a substantial Shareholder (as defined under the Listing Rules) as a result of the Placing.

The Placing Price of HK\$1.00 per Placing Share represents (i) a discount of approximately 9.09% to the closing price of HK\$1.10 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 14.38% to the average closing price per Share of HK\$1.168 for five consecutive trading days immediately prior to the date of the Placing Agreement.

Assuming 95,820,000 Placing Shares have been placed, the gross proceeds from the Placing is estimated to be HK\$95.82 million, and the net proceeds from the Placing, after deducting related placing commission and other related expenses in connection with the Placing, is estimated to be approximately HK\$92.20 million. The Company intends to apply net proceeds from the Placing as to around 25% for brand building and marketing campaign, as to around 20% for enhancement of the Group's online operating platform, as to around 30% for the development of the Group's newly acquired corporate finance business and as to around 25% for the general working capital of the Group.

THE PLACING AGREEMENT

Date

30 September 2014 (after trading hours)

Issuer

The Company

Placing Agent

Having made all reasonable enquiries and to the best of the knowledge, information and belief of the Directors, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Agent will use its best efforts to place up to 95,820,000 Placing Shares to not fewer than six Placees who are Independent Third Parties and are professional, institutional or other investors approved, selected and/or procured by or on behalf of the Placing Agent as contemplated under the Placing Agreement. It is expected that no Placee will become a substantial Shareholder (as defined under the Listing Rules) as a result of the Placing.

Number of Placing Shares

Pursuant to the Placing Agreement, up to 95,820,000 Placing Shares will be allotted and issued to the Placees. The 95,820,000 Placing Shares (assuming all of them are placed) represent:

- (a) approximately 18.47% of the issued share capital of the Company as at the date of this announcement; and
- (b) approximately 15.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares pursuant to the Placing.

The aggregate nominal value of all the Placing Shares is HK\$9,582,000. The Placing Shares are not subject to any lock-up or other disposal restriction under the terms of the Placing Agreement.

Placing Price

The Placing Price of HK\$1.00 per Placing Share represents:

- (i) a discount of approximately 9.09% to the closing price of HK\$1.10 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 14.38% to the average closing price per Share of HK\$1.168 for five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Agent will receive a placing commission of 3.5% of the aggregate Placing Price of the number of Placing Shares successfully placed by the Placing Agent.

The Placing Agreement, the Placing Price and the placing commission mentioned above were arrived at after arm's length negotiations between the Company and the Placing Agent and, in the case of the Placing Price, with reference to the historical trading price of the Shares.

Condition of the Placing

Completion of the Placing contemplated under the Placing Agreement is conditional upon by not later than 21 days from the date of the Placing Agreement (or such later date as may be agreed between the Placing Agent and the Company in writing) the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in all of the Placing Shares.

Completion of the Placing shall take place within five Business Days immediately after the satisfaction of the condition set out above, or at such other date as may be agreed between the Company and the Placing Agent in writing.

If the above condition is not fulfilled within 21 days from the date of the Placing Agreement or such later date as may be agreed, the Placing Agreement shall lapse and the obligations and liabilities of the Company and the Placing Agent thereunder shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Placing (other than those already accrued prior thereto).

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

Mandate to allot and issue new Shares

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the then Shareholders passed at the annual general meeting of the Company held on 26 May 2014. Under the general mandate, the Company is authorised to issue up to 95,820,800 Shares.

The Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the date of the Placing Agreement. Upon completion of the Placing, up to 95,820,000 Placing Shares will be issued under such general mandate. The issue of the Placing Shares is not subject to the Shareholders' approval.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of issue of the Placing Shares.

Rescission

If any of the following events occur at any time prior to 10:00 a.m. on the date of completion of the Placing, the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, rescind the Placing Agreement without liability (except for the continuing provisions in relation to indemnity, costs and expenses in connection with the Placing and other miscellaneous clauses) and the Placing Agreement shall thereupon cease to have effect and none of the parties thereto shall have any rights or claims (other than those already accrued prior to such rescission) by reason thereof:

- (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) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material breach of any of the representations and warranties made by the Company as set out in 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 of the Placing 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 provision of the Placing Agreement; or
- (d) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

REASONS FOR AND BENEFITS OF THE PLACING

The Group is principally engaged in independent financial advisory business, money lending business, proprietary investment business and asset management business.

The Company would like to take this opportunity to broaden the capital base and shareholder base of the Company. Moreover, the Company intends to apply net proceeds from the Placing as to around 25% for brand building and marketing campaign, as to around 20% for enhancement of the Group's online operating platform, as to around 30% for the development of the Group's newly acquired corporate finance business and as to around 25% for the general working capital of the Group.

Assuming all 95,820,000 Placing Shares have been placed, the gross proceeds from the Placing is estimated to be HK\$95.82 million, and the net proceeds from the Placing, after deducting related placing commission and other related expenses in connection with the Placing, is estimated to be approximately HK\$92.20 million. The net placing price for the Placing is approximately HK\$0.96 per Placing Share.

The Directors consider that the Placing Agreement (including the terms relating to the Placing Price and the placing commission) has been entered into on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising activities during the past twelve months immediately prior to the date of this announcement.

| Date of first announcement | Event | Net proceeds | Intended use of proceeds | Actual use of proceeds as at the date of this announcement |
|-----------------------------------|---|---------------------------------|---|---|
| 8 May 2014 | Placing of 39,800,000 new Shares under the general mandate granted to the Directors by the then Shareholders at the annual general meeting of the Company held on 10 June 2013 at a price of HK\$1.15 per Share | Approximately HK\$44.50 million | For the general working capital and for business development of the Group | The net proceeds was fully utilized (which were in line with the intended use as previously disclosed by the Company) |

CHANGES IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and upon completion of the Placing (assuming all the Placing Shares are placed and no other changes in the shareholding structure occur) is set out below:

| Shareholders | As at the date of this announcement | | Immediately after completion of the Placing | |
|---|--|---------------|--|---------------|
| | No. of Shares | % | No. of Shares | % |
| Convoy Financial Group Limited (“CFG”) (Note 1) | 138,964,104 | 26.78 | 138,964,104 | 22.61 |
| Town Health Corporate Advisory and Investments Limited (Note 2) | 130,106,000 | 25.07 | 130,106,000 | 21.16 |
| The Placees | – | – | 95,820,000 | 15.59 |
| Other public Shareholders | <u>249,833,896</u> | <u>48.15</u> | <u>249,833,896</u> | <u>40.64</u> |
| | <u>518,904,000</u> | <u>100.00</u> | <u>614,724,000</u> | <u>100.00</u> |

Notes:

1. The 138,964,104 Shares are held by CFG, a wholly-owned subsidiary of Convoy Inc.. Accordingly, Convoy Inc. is deemed to be interested in the 138,964,104 Shares held by CFG by virtue of the SFO.
2. 130,106,000 Shares are directly held by Town Health Corporate Advisory and Investments Limited, a company ultimately controlled by Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited), a company listed on the Main Board of the Stock Exchange.
3. The percentages are subject to rounding difference, if any.
4. This assumes the Placing Shares are fully placed.

GENERAL

Shareholders and potential investors should note that completion of the Placing is subject to fulfillment of the condition under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

| | |
|---------------------------|---|
| “Board” | the board of Directors |
| “Business Day” | any day (not being a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “Company” | Convoy Financial 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)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party” | independent third party who is not connected person (as defined under the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “Placees” | the placees to be procured by the Placing Agent pursuant to the terms and condition of the Placing Agreement |

| | |
|---------------------|--|
| “Placing” | the placing of the Placing Shares in accordance with the terms of the Placing Agreement |
| “Placing Agent” | Astrum Capital Management Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |
| “Placing Agreement” | the placing agreement dated 30 September 2014 entered into between the Company and the Placing Agent in relation to the Placing |
| “Placing Price” | HK\$1.00 being the subscription price for each Placing Share (exclusive of any brokerage, SFC transaction levy and Stock Exchange trading fee payable) |
| “Placing Shares” | up to 95,820,000 new Shares to be subscribed for by the Placees in accordance with the terms of the Placing Agreement |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | the ordinary shares which have a par value of HK\$0.1 each in the capital of the Company |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“%” per cent.

On behalf of the Board
CONVOY FINANCIAL HOLDINGS LIMITED
Wong Lee Man
Chairman

Hong Kong, 30 September 2014

As at the date of this announcement, the executive Directors are Mr. Wong Lee Man (Chairman), Ms. Fong Sut Sam, Mr. Mak Kwong Yiu and Dr. Hui Ka Wah, Ronnie, JP; and the independent non-executive Directors are Dr. Wu Ka Chee, Davy, Mr. Ma Yiu Ho, Peter and Mr. Lam Chi Keung.