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**China Financial Services Holdings Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 605)**

**SUBSCRIPTION FOR NEW SHARES  
AND RESUMPTION OF TRADING IN SHARES  
AND DEBT SECURITIES**

On 26 May 2015, the Company and the Subscriber entered into the Subscription Agreement in relation to the subscription for an aggregate of 400,000,000 Subscription Shares at the Subscription Price of HK\$0.75 per Subscription Share.

The Subscription Shares represent approximately 11.63% of the existing issued share capital of the Company and approximately 10.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares shall be allotted and issued under the General Mandate.

The gross proceeds of the Subscription will be HK\$300 million. The net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK\$300 million, representing a net issue price of approximately HK\$0.75 per Subscription Share. The Company intends to apply the net proceeds of the Subscription: (i) for developing internet finance business (through acquisition or otherwise); and (ii) the remaining for general working capital of the Group. The Board has not entered into any agreement for any potential acquisition of internet finance company and even if such acquisition is materialised, it will not constitute a discloseable or connected transaction of the Company under the Listing Rules. In the event that such acquisition is not materialised, the relevant proceeds will only be used for business opportunities which can facilitate the continual growth of the Group's business.

It is the preliminary intention of the Company to form joint venture(s) with the Subscriber to further develop the Group's short-term financing services in the PRC. In this regard, further announcement will be made by the Company in compliance with the Listing Rules when any agreement is reached between the Company and the Subscriber.

The Subscriber undertakes that it (or its nominee(s)) shall not, within 36 months after the date of Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Subscription Shares.

## **RESUMPTION OF TRADING IN SHARES AND DEBT SECURITIES**

Trading in the Shares and the debt securities of the Company on the Stock Exchange has been halted from 1:00 p.m. on 22 May 2015. Application has been made to the Stock Exchange for the resumption of trading in the Shares and the debt securities of the Company on the Stock Exchange with effect from 9:00 a.m. on 27 May 2015.

## **THE SUBSCRIPTION AGREEMENT**

### **The Subscription Agreement**

Date: 26 May 2015

Parties: (i) the Company as issuer; and

(ii) the Subscriber as subscriber

### **Information on the Subscriber**

The Subscriber is a company established under the laws of the PRC. It is one of the largest professional financing guarantee services institutions in the PRC and has a credit rating of AAA by the big six credit rating institutions in the PRC including China Chengxin International Credit Rating Company Limited\*, Dagong Global Credit Rating Co., Ltd.\* and China Lianhe Credit Rating Co., Ltd\*. It is at present the only financing guarantee corporation in the PRC which has an investment grade of credit rating by international credit rating institutions. It is rated BBB- and Baa3 by Standard & Poor and Moody's respectively. Its major shareholders include Export-Import Bank of China\*, J.P. Morgan China Investment Company Limited, HNA Capital Group Company Limited\*, Baosteel Group Corporation\*. To the best of the Directors' knowledge, information and belief, the Subscriber and its ultimate

beneficial owners are Independent Third Parties. The Subscriber is a joint guarantor with the Company for the issue of the RMB-denominated senior bonds in the aggregate principal amount of RMB300 million by Golden Bauhinia Investment Holdings Company Limited, a company incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of the Company in March 2015. Save as disclosed herein, prior to the entering into of the Subscription Agreement, neither the Subscriber nor its associates has any material business dealings with the Group.

### **Number of the Subscription Shares**

Pursuant to the Subscription Agreement, the Subscriber will subscribe for an aggregate of 400,000,000 Subscription Shares, representing approximately: (i) 11.63% of the existing issued share capital of the Company; and (ii) 10.42% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming there being no other issue or repurchase of Shares).

### **Conditions precedent**

Completion of the Subscription Agreement shall be subject to and conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Subscription Shares;
- (b) the Company having obtained all necessary consents and approvals in relation to the Subscription Agreement and the transactions contemplated thereunder from the relevant authorities; and
- (c) the Subscriber having obtained all necessary consents and approvals in relation to the Subscription Agreement and the transactions contemplated thereunder from the relevant authorities.

If the conditions of the Subscription Agreement are not fulfilled at or before 4:00 p.m. of the date within 30 days from the date of the Subscription Agreement (or such later date as may be agreed between the parties thereto), the Subscription Agreement will terminate and none of the parties thereto shall have any claim against the other save for any antecedent breaches of the provisions thereof.

## **Lock up of Subscription Shares**

Unless there occurs a material adverse event on the Company, its major shareholder or controller, the Subscriber undertakes that it (or its nominee(s)) shall not, within 36 months after the date of Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Subscription Shares or any interest therein or grant any options or rights in respect of the Subscription Shares and in the event of a transfer or disposal of any of the Subscription Shares at any time during or after the expiry of the said period, the Subscriber (or its nominee(s)) will take all reasonable step to ensure that any such transfer or disposal will not create a false market in the Shares.

## **Completion**

Taking into account the time for the Subscriber to arrange remittance out of PRC, Completion will take place within ten Business Days after the fulfillment of the conditions referred to above.

## **Subscription Price**

The Subscription Price is HK\$0.75 per Subscription Share.

The Subscription Price represents: (i) a discount of approximately 16.67% to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on 22 May 2015, being the last trading day before the date of the Subscription Agreement; (ii) a discount of approximately 13.19% to the average of the closing prices of HK\$0.864 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 22 May 2015; and (iii) a discount of approximately 9.58% to the average of the closing prices of HK\$0.8295 per Share as quoted on the Stock Exchange for the last twenty consecutive trading days up to and including 22 May 2015.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$0.75 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares and the number of Subscription Shares involved. The Directors consider that the Subscription Price and the terms and conditions of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Ranking**

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

### **General Mandate**

The allotment and issue of the Subscription Shares will be made under the General Mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 20 May 2014 to allot, issue and deal with up to 20% of the issued share capital of the Company as at the date of the annual general meeting, which is 685,817,267 Shares. The 400,000,000 Subscription Shares to be allotted and issued will utilise approximately 58.32% of the aforesaid General Mandate. As such, no Shareholders' approval is required for the allotment and issue of the Subscription Shares.

### **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 Subscription Shares.

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Group is principally engaged in the provision of short-term financing services in the PRC, comprising pawn loans, small loans and financial guarantee services to SMEs, microenterprises and individuals.

The Board considers that the Subscription represents an opportunity to raise additional funds for the Company while introducing the Subscriber as a strategic investor of the Company. Leveraging on the Subscriber's advantages in terms of high quality resources in small and medium-sized enterprises business, corporate rating, professional team, risk control and other aspects, not only the Company's capabilities in business management and risk management will be enhanced, but also will bring a good expectation for the Company in the expansion of new business, including internet finance, and the development of new market in future. It is the preliminary intention of the Company to form joint venture(s) with the Subscriber to further develop the Group's short-term financing services in the PRC. In this regard, further announcement will be made by the Company in compliance with the Listing Rules when any agreement is reached between the Company and the Subscriber.

The gross proceeds of the Subscription will be HK\$300 million. The net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK\$300 million, representing a net issue price of approximately HK\$0.75 per Subscription Share. The Directors intend to apply the net proceeds of HK\$300 million of the Subscription: (i) for developing internet finance company (through acquisition or otherwise); and (ii) the remaining for general working capital of the Group. The Board has not entered into any agreement for any potential acquisition of internet finance company and even if such acquisition is materialised, it will not constitute a discloseable or connected transaction of the Company under the Listing Rules. In the event that such acquisition is not materialised, the relevant proceeds will only be used for business opportunities which can facilitate the continual growth of the Group's business.

The Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD**

The Group has not conducted any equity fund raising activity for the twelve months immediately preceding the date of this announcement.

## CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 3,437,086,336 Shares in issue. The following chart set out the shareholding structure of the Company: (i) as at the date of this announcement; and (ii) immediately after the issue of the Subscription Shares (assuming there being no other issue or repurchase of Shares):

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Subscription Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Cheung Siu Lam	1,710,044,240	49.76	1,710,044,240	44.57
Lo Wan	341,880,000	9.95	341,880,000	8.91
Chan Yuk Ming	10,000,000	0.29	10,000,000	0.26
Luo Rui	3,230,000	0.09	3,230,000	0.08
Arbalice Holdings Limited (Note 1)	86,400,000	2.51	86,400,000	2.25
China Orient Asset Management Corporation	172,100,000	5.00	172,100,000	4.49
The Subscriber	–	–	400,000,000	10.42
Public Shareholders	<u>1,113,432,096</u>	<u>32.40</u>	<u>1,113,432,096</u>	<u>29.02</u>
<b>Total</b>	<b><u><u>3,437,086,336</u></u></b>	<b><u><u>100.00</u></u></b>	<b><u><u>3,837,086,336</u></u></b>	<b><u><u>100.00</u></u></b>

Note:

- Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan.

## **SUSPENSION AND RESUMPTION OF TRADING IN SHARES AND DEBT SECURITIES**

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### **DEFINITIONS**

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Financial Services Holdings Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company



“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 May 2014, pursuant to which a maximum of 685,817,267 new Shares may fall to be allotted and issued
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(Parties)”	independent third party (parties) who is (are) not connected person(s) of the Company and is (are) independent of and not connected with the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and Macau Special Administrative Region
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	中合中小企業融資擔保股份有限公司(China United SME Guarantee Corporation*), a company incorporated in the PRC with limit liability, an Independent Third Party
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement

“Subscription Agreement”	the conditional subscription agreement dated 26 May 2015 and entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.75 per Subscription Share
“Subscription Shares”	400,000,000 new Shares to be allotted and issued to the Subscriber upon completion of the Subscription Agreement
“%”	per cent.

By order of the Board  
**China Financial Service Holdings Limited**  
**Cheung Siu Lam**  
*Chairman*

Hong Kong, 26 May 2015

\* *English translation of the name is for identification purpose only*

As at the date of this announcement, the Board comprises:

*Executive Directors:*

Mr Luo Rui (*Chief Executive Officer*)

Madam Guan Xue Ling

Mr Cheung Chai Hong

*Non-executive Directors:*

Mr Cheung Siu Lam (*Chairman*)

Mr Chan Yuk Ming (*Vice-chairman*)

Mr Tao Ye

*Independent Non-executive Directors:*

Mr Chan Chun Keung

Mr Wang Jian Sheng

Mr Tsang Kwok Wai