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**中金投集团**

China Financial Services Holdings Ltd

**China Financial Services Holdings Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 605)**

**DISCLOSEABLE TRANSACTION IN RESPECT OF  
THE ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
BRILLIANT STAR CAPITAL (CAYMAN) LIMITED  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER GENERAL MANDATE**

**THE ACQUISITION**

The Board is pleased to announce that on 25 April 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Seller and the Company, pursuant to which the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan at the maximum Consideration of approximately HK\$316.5 million (subject to adjustments), which will be satisfied (i) as to approximately HK\$247.9 million (subject to adjustments) in cash and (ii) as to approximately HK\$68.6 million by the issue and allotment of the Consideration Shares by the Company to the Seller, in accordance with the terms and conditions of the Acquisition Agreement.

The Consideration Shares, when allotted and issued, would represent approximately (i) 2.38% of the issued share capital of the Company as at the date of this announcement; and (ii) 2.33% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion. The Consideration Shares will be issued under the General Mandate and will rank pari passu in all respects among themselves and with the existing Shares then in issue.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the Company's consolidated financial statements.

The Board considers that the Acquisition represents a valuable horizontal integration opportunity that brings synergy to the Group's existing business, giving rise to regional expansion into Southwest China. It also establishes an essential foundation for the Group to capture cross-regional business opportunities immediately, conducting multi-dimensional financial services including consumer finance and supply chain finance. The Group expects the Target Company to generate significant financial contribution following its integration, and thus benefit the Group's overall financial performance through effective consolidation and business expansion.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Acquisition Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **BACKGROUND**

The Board is pleased to announce that on 25 April 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Seller and the Company, pursuant to which the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan at the maximum Consideration of approximately HK\$316.5 million (subject to adjustments), which will be satisfied (i) as to approximately HK\$247.9 million (subject to adjustments) in cash and (ii) as to approximately HK\$68.6 million by the issue and allotment of the Consideration Shares by the Company to the Seller, in accordance with the terms and conditions of the Acquisition Agreement.

## **THE ACQUISITION AGREEMENT**

Principal terms of the Acquisition Agreement are set forth below:

Date: 25 April 2017 (after trading hours)

Parties:	(i) Seller	:	Value Partners Group Limited
	(ii) Purchaser	:	K.P.B. Asset Holdings Limited, a wholly-owned subsidiary of the Company
	(iii) Guarantor of the Purchaser	:	China Financial Services Holdings Limited, the Company

The Seller is a company incorporated in the Cayman Islands with limited liability and is listed on the Stock Exchange. The Seller and its subsidiaries are principally engaged in provision of investment management services to investment funds and managed accounts. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

## **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan. As at the date of this announcement, the Target Company is wholly-owned by the Seller and indirectly holds 90% of the equity interest in Vision Credit.

## **Consideration**

The maximum Consideration is approximately HK\$316.5 million, which comprised (a) approximately HK\$2.9 million in respect of the Non-Performing Loan Book; (b) 90% of (i) 110% of the aggregate outstanding principal amount of the Normal Loan Book and (ii) the Cash Value, as at the close of the Reference Date, subject to adjustments based on the post-Reference Date Default Loans and recovery of the Non-Performing Loan Book; and (c) 90% of 70% of the amount of Tax Credit utilised by Vision Credit within five tax reporting years after Completion.

A first deposit in the amount of HK\$5.0 million was paid in cash to the Seller by the Purchaser upon the signing of the Terms of Acquisition. A further deposit of HK\$30.0 million is payable in cash to the Seller by the Purchaser within 2 Business Days from the date of the Acquisition Agreement. The deposits shall be applied in and towards the satisfaction of the Consideration, but will be refunded to the Purchaser if Completion does not occur and the Acquisition Agreement terminates for reasons other than a breach or violation of the Acquisition Agreement by the Purchaser. A sum of HK\$5 million will be paid by the defaulting party to the non-defaulting party in the event if Completion does not occur due to the default of the Purchaser or the Seller.

On the Issue Date, the Consideration Shares are to be issued and allotted by the Company to the Seller (or its nominee) at the Issue Price in return for the Loan Note issued by the Seller. The Loan Note will be the principal amount equal to the total Issue Price of the Consideration Shares and payable on the 20th Business Day after termination of the Acquisition Agreement without interest. At Completion, the Company will return the Loan Note to the Seller for cancellation, effectively setting off against the same amount of Consideration then payable.

At Completion, the following amounts are payable to the Seller:

- (a) approximately HK\$200.4 million (inclusive of deposits already received) is payable in cash to the Seller, based on the cash position of the Target Group as at the Reference Date and the amount payable in respect of the Non-Performing Loan Book; and

- (b) approximately HK\$105.6 million (determined by reference to the outstanding principal amount of the Normal Loan Book as the Reference Date) is to be satisfied:
- (i) as to 65% (i.e. approximately HK\$68.6 million) by the issue of Consideration Shares (through the surrender of the Loan Note referred to above); and
  - (ii) as to 5% (i.e. approximately HK\$5.3 million) payable in cash to the Seller and as to 30% (i.e. approximately HK\$31.7 million) payable in cash into an escrow account and released to the Seller in the 25th month following the Completion Date.

During the five tax reporting years after Completion, the Purchaser is to pay to the Seller, within 20 Business Days after Vision Credit makes its annual tax filing, an amount equal to 90% of 70% of the amount of Tax Credit utilised by Vision Credit to set off against any tax payable by it during that tax reporting year (i.e. HK\$10.5 million assuming all Tax Credit are to be utilized within the five tax reporting years after Completion).

The Consideration is to be adjusted on the following basis:

- (i) the Seller is to refund to the Purchaser amounts received for any loan that becomes a Default Loan within 24 months of the Reference Date, subject to (i) the Refund Cap and (ii) the Purchaser's obligation to share with the Seller 50% of the principal amount of any such Default Loan recovered within 12 months after the date it becomes a Default Loan and 25% of the principal amount of those that are recovered within 24 months after the date it becomes a Default Loan less, in each case, 50% of the Debt Recovery Costs for each such Default Loan; and
- (ii) the Purchaser is to pay to the Company 50% of the principal amount of any loan that comprised the Non-Performing Loan Book as at the Reference Date that is recovered within 18 months of the Reference Date and 30% of those that are recovered within 36 months of the Reference Date less, in each case, 50% of the Debt Recovery Costs for each such loan.

Settlement of the amounts payable is to be made on a quarterly basis or as the parties may otherwise agree. If the Seller or the Purchaser fails to pay any amount due on the relevant due date under the Acquisition Agreement, interest at the rate of 8% per annum shall be payable on the amount due calculated from the day immediately following the relevant due date until the date of full payment by the Purchaser or the Seller.

The Consideration was determined after arm's length negotiations among the parties to the Acquisition Agreement having taken into consideration of various factors, including: (i) the cash position and the size and quality of the loan book of the Target Group, which is the primary asset of the Target Group; (ii) the business and future prospect of the Target Group; and (iii) the other benefits of the Acquisition as disclosed in the section headed "Reasons for and benefits of the Acquisition" in this announcement.

The Consideration paid or payable in cash by the Purchaser to the Seller has been or shall be funded by internal resources of the Group and by other means of financing.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms.

### **Consideration Shares**

The Consideration Shares will be issued at the Issue Price which was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to the recent trading prices of the Shares and prevailing market conditions. The Directors consider that the issue price of the Consideration Shares is fair and reasonable. The Consideration Shares represent (i) approximately 2.38% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.33% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the Shares then in issue. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price represents:

- (i) a premium of approximately 3% to the closing price of HK\$0.73 per Share, as quoted on the Stock Exchange on 24 April 2017, being the Last Trading Day; and
- (ii) a premium of approximately 3% to the average closing price of HK\$0.73 per Share, as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 768,211,267 Shares. Up to the date of this announcement, the General Mandate has not been utilized. Accordingly, the General Mandate is sufficient for the allotment and issue of all the Consideration Shares. As such, the allotment and issue of the Consideration Shares is not subject to further Shareholders' approval.

### **Conditions Precedent**

The Completion is conditional upon the following:

- (a) the Listing Committee of the Stock Exchange granting an approval for the listing of, and permission to deal in, all of the Consideration Shares on the Stock Exchange, and such listing and permission not subsequently being revoked prior to the Completion; and
- (b) the Chengdu Finance Office having approved or indicated no objection to the appointment of directors of Vision Credit to be nominated by the Purchaser.

The Purchaser may, at its absolute discretion, waive the condition precedent set out in paragraph (ii) above.

## **Completion**

Subject to the conditions precedent being fulfilled or waived (as the case may be), Completion shall take place on the 10th Business Day after the fulfillment of the last of the conditions precedent, or such other date no later than 120 Business Days following the date of the Acquisition Agreement as the parties thereto may agree in writing.

## **Guarantee**

The Company as primary obligor has unconditionally and irrevocably: (i) guaranteed to the Seller the payment of all amounts by the Purchaser under the Acquisition Agreement; (ii) undertaken to ensure that the Purchaser will perform when due all its obligations under the Acquisition Agreement; and (iii) agreed to indemnify and keep indemnified the Seller against all losses and damages sustained by it flowing from any non-payment or default of any kind by the Purchaser under the Acquisition Agreement.

## **Other Terms**

The Seller undertakes that it will not offer, pledge, charge, sell, offer to sell, contract to sell, transfer, or otherwise dispose of any of the Consideration Shares, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Consideration Shares, within 18 months from the Issue Date or, if earlier, until the date of termination of the Acquisition Agreement.

The Seller undertakes to procure that a general manager of Vision Credit nominated by the Purchaser will be appointed on or before 1 May 2017 who shall have the authority to approve all loans made by Vision Credit. If Completion does not take place, the Purchaser undertakes (i) to procure that such general manager shall resign with no recourse against the Seller; and (ii) to pay to the Seller 100% of the outstanding principal amount of the loans which becomes Default Loans within 24 months from the date on which such loans were made with the approval of such general manager during his term of employment. The Seller is to refund to the Purchaser amounts received for any loans recovered within 24 months after it becomes a Default Loan, less reasonable Debt Recovery Costs.



## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the shareholding structure of the Company: (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares (assuming that there is no other change in the issued share capital of the Company from the date of this announcement up to the allotment and issue of the Consideration Shares):

Shareholders	As at the date of this announcement		Immediately after issue of the Consideration Shares	
	<i>Number of shares</i>	<i>Approximate %</i>	<i>Number of shares</i>	<i>Approximate %</i>
Cheung Siu Lam	1,720,044,240	44.78	1,720,044,240	43.74
Lo Wan	431,066,000	11.22	431,066,000	10.96
Arbalice Holdings Limited ( <i>Note 1</i> )	86,400,000	2.25	86,400,000	2.20
China United SME Guarantee Corporation	400,000,000	10.41	400,000,000	10.17
Cheung Chai Hong	200,000	0.01	200,000	0.01
Chan Yuk Ming	10,000,000	0.26	10,000,000	0.25
Luo Rui	3,390,000	0.09	3,390,000	0.08
The Seller	–	–	91,527,011	2.33
Other public Shareholders	<u>1,189,956,096</u>	<u>30.98</u>	<u>1,189,956,096</u>	<u>30.26</u>
	<u><u>3,841,056,336</u></u>	<u><u>100.00</u></u>	<u><u>3,932,583,347</u></u>	<u><u>100.00</u></u>

*Note:*

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

## INFORMATION ON THE TARGET GROUP

The Target Company is holding wholly-owned subsidiary of the Seller and is an investment holding company incorporated under the laws of the Cayman Islands with limited liability. Through Brilliant Star HK, the Target Company holds 90% of the equity interest in Vision Credit, which is a joint venture company engaged in the small loan business in the PRC founded in 2011.

The key unaudited consolidated financial information of the Target Group for the financial years ended 31 December 2015 and 31 December 2016 is set out below:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>
	<i>(in HK\$ million)</i>	
Net profit (losses) before taxation and extraordinary items	13.7	(17.0)
Net profit (losses) after taxation and extraordinary items attributable to owners of the Target Group	8.1	(11.7)

As at the Reference Date, the unaudited consolidated total assets value and the unaudited consolidated net assets value of the Target Group were approximately HK\$363.9 million and HK\$24.8 million respectively.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the Company's consolidated financial statements.

## **INFORMATION ON THE GROUP**

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 small and medium-sized enterprises, microenterprises and individuals.

The Purchaser was incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Board considers that that the Acquisition represents a valuable horizontal integration opportunity that brings synergy to the Group's existing business, giving rise to regional expansion into Southwest China. It also establishes an essential foundation for the Group to capture cross-regional business opportunities through utilizing the National Internet Small Loan License. The unique strategic positioning of Chengdu enables the Group to expand its client base to the major cities in the Southwest region more efficiently. Moreover, the Target Company's National Internet Finance license allows the Group to conduct cross-regional operations immediately, engaging in multi-dimensional financial services including consumer finance and supply chain finance.

Owing to the Company's extensive experience in short-term financing business and its prudent risk management system, the Group is confident that the Target Company's business performance can be boosted significantly upon acquisition, via rapid expansion of comprehensive financial services including consumer finance. The Group expects the Target Company to generate significant financial contribution following its integration, and thus benefit the Group's overall financial performance through effective consolidation and business expansion.

Moreover, as one of the largest asset management companies in Asia, Value Partner's stake in the Group not only demonstrates its recognition for the Group's growth potential, but it also brings rich client resources to the Group, in favour of the Group's long-term business expansion.

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

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Acquisition Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings unless the context requires otherwise.

“Acquisition”	the proposed acquisition of the entire issued share capital of the Target Company and the Sale Loan by the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 25 April 2017 and entered into among the Purchaser, the Seller and the Company in relation to the Acquisition
“Board”	the board of Directors of the Company
“Brilliant Star BVI”	Brilliant Star Capital (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is held by the Target Company

“Brilliant Star HK”	Brilliant Star Capital Limited 耀星資本有限公司, a company is incorporated in Hong Kong with limited liability, the entire share capital of which is held by Brilliant Star BVI
“Business Day”	a day other than a public holiday, Saturday or Sunday on which banks are generally open for commercial business in Hong Kong
“Cash Value”	as at any date, the amount of cash and cash equivalents held by Vision Credit as at that date
“Company”	China Financial Services Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the date when Completion occurs
“Consideration”	the total consideration payable in relation to the Acquisition subject to the terms and conditions under the Acquisition Agreement
“Consideration Shares”	91,527,011 new Shares of the Company representing approximately 2.38% of the aggregate of the number of shares of the Company in issue as at the date of this announcement, to be allotted and issued to the Seller to settle part of the Consideration pursuant to the Acquisition Agreement
“Debt Recovery Costs”	in respect of any Default Loan or any loan comprised in the Non-Performing Loan Book as at the close of the Reference Date, any costs or fees incurred by the Group in connection with the recovery of that loan

“Default Loan”	any loans that remain on the account of Vision Credit forming part of the Normal Loan Book that are due for more than 180 days and remaining outstanding as at any date
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Issue Date”	the fifth Business Day following the fulfilment of the condition precedent referred to in (i) under the heading “Conditions Precedent”
“Issue Price”	an issue price of HK\$0.75 per Consideration Share
“Last Trading Day”	24 April 2017, being the last trading day for the Consideration Shares before the date of the Acquisition Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note”	a loan note issued by the Seller to the Company in respect of the total Issue Price of the Consideration Shares
“Minority Shareholder”	成都先進製造產業投資有限公司, a limited liability company established in the PRC which is a wholly-owned subsidiary of 成都工業投資集團有限公司, a state-owned enterprise
“Non-Performing Loan Book”	all loans advanced by Vision Credit which constitute Default Loans as at that date

“Normal Loan Book”	all loans advanced by Vision Credit other than those which form part of the Non-Performing Loan Book
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prepaid Interest”	at any time means in respect of any loan, the amount of interest deducted upon drawdown of that loan and which has not been applied as at that time in and towards payment or settlement of any part of the principal or interest of that loan
“Reference Date”	31 March 2017
“Refund Cap”	70% of the total outstanding principal amount of the Normal Loan Book as at Reference Date, in respect of all loans comprised in the Normal Loan Book as at Reference Date that become Default Loans before the first anniversary of the Completion Date or (without prejudice to the foregoing) 50% of the aggregate outstanding principal amount of the Normal Loan Book in relation to all loans that become Default Loans before the second anniversary of the Reference Date
“Purchaser”	K.P.B. Asset Holdings Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the amount due from the Target Company to the Seller being approximately HK\$323.1 million as at the Reference Date
“Sale Share”	1 ordinary share of par value of HK\$1.00 of the Target Company

“Seller”	Value Partners Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Share(s)”	ordinary shares in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Brilliant Star Capital (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability, the entire issued share capital of which is held by the Seller
“Target Group”	the Target Company and its subsidiaries
“Tax Credit”	tax credit in the amount of approximately RMB14.8 million as at the Reference Date that resulted from the writing-off of certain loans advanced by Vision Credit prior to the date of the Acquisition Agreement
“Terms of Acquisition”	the terms of acquisition entered into by Brilliant Star BVI and the Purchaser on 27 January 2017
“Vision Credit”	Chengdu Vision Credit Limited 成都市武侯惠信小額貸款有限責任公司, a limited liability company established in the PRC, which is held as to 90% by Brilliant Star HK and 10% by the Minority Shareholder
“%”	per cent

By Order of the Board  
**China Financial Services Holdings Limited**  
**Chung Chin Keung**  
*Company Secretary*

Hong Kong, 25 April 2017



*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. Chan Yuk Ming (*Chairman*)

Mr. Cheung Siu Lam

Mr. Zhang Xiaobin

Madam Huang Mei

*Independent Non-executive Directors:*

Mr. Chan Chun Keung

Mr. Wang Jian Sheng

Mr. Chan Wing Fai

Mr. Zhang Xiao Jun