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China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 605)

DISCLOSEABLE TRANSACTION IN RELATION TO OFFICE LEASE RENEWAL

THE LEASE RENEWAL

The Board announces that on 23 June 2023, the Company, as the Tenant, entered into the Lease Renewal with Central Plaza (as agent for the Landlords) in respect of the Premises for a term commencing on 23 June 2023 and ending on 22 June 2026 (both days inclusive).

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Group will recognize a right-of-use asset on its consolidated statement of financial position in connection with the entering into of the Lease Renewal. Accordingly, the entering into of the Lease Renewal will be regarded as an acquisition of asset by the Group pursuant to Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the Lease Renewal exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Renewal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 23 June 2023, the Company, as the Tenant, entered into the Lease Renewal with Central Plaza (as agent for the Landlords) in respect of the Premises for a term commencing on 23 June 2023 and ending on 22 June 2026 (both days inclusive). The Premises will be used by the Tenant as its office premises for the business operation of the Group.

PRINCIPAL TERMS OF THE LEASE RENEWAL

- Date: 23 June 2023
- Parties: (a) Central Plaza (as agent for the Landlords); and
(b) the Tenant
- Premises: Office unit no. 5606 on 56th floor, Central Plaza, No.18 Harbour Road, Wanchai, Hong Kong (the “**Premises**”)
- Term: From 23 June 2023 to 22 June 2026 (both days inclusive) (the “**Term**”).
- Rent payable: The monthly rental payment is HK\$176,904 (exclusive of rates, Service Charges and utilities expenses), which amounts to HK\$6,368,544 in aggregate during the Term. The Tenant shall be responsible for rates and Service Charges during the Term.
- Service Charges payable: The monthly Service Charges are HK\$35,380.80, which is subject to review.
- Payment terms: The monthly rent and Service Charges shall be payable in advance on the first day of each and every calendar month during the Term.
- Rental deposit: The deposit under the Lease Renewal is HK\$636,854.40, being the aggregate of:
- (a) rental deposit in the sum of HK\$530,712 (which is the sum of three months’ rent); and
 - (b) Service Charges deposit in the sum of HK\$106,142.40 (which is the sum of three months’ Service Charges).
- Pursuant to the Lease Renewal, the deposit in the sum of HK\$747,079.20 paid by the Tenant to the Landlords under the Existing Tenancy Agreement will be transferred by the Landlords towards full payment of the deposit paid by the Tenant to the Landlords under the Lease Renewal upon the expiration of the term of the Existing Tenancy Agreement.
- The excess balance of the deposit in the sum of HK\$110,224.80 shall be employed to settle future monthly rental under the Lease Renewal. Upon the said transfer, the Landlords are discharged from their obligation to refund the deposit or any part thereof to the Tenant under the Existing Tenancy Agreement.

Stamp duty: The stamp duty and registration fee (if any) shall be borne equally by the Landlords and the Tenant.

The payment of the monthly rent, rates, Service Charges and stamp duty will be financed by the internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE RENEWAL

The Group has been leasing the Premises as its principal place of business since 23 June 2003.

In evaluating the options of renewal of the existing tenancy or leasing a new office, the Directors consider that the Premises are located in the commercial zone in Wanchai, Hong Kong, which is easily accessible by various modes of transportation and remaining at the Premises would have saved the renovation cost and the expenditure arising from relocation. As such, the Directors are of the opinion that the Lease Renewal is in favour of the Group's future development.

The terms of the Lease Renewal, including the rent, were determined after arm's length negotiations between the parties and with reference to the prevailing market price of comparable premises in the vicinity of the Premises. The entering into of the Lease Renewal is necessary for continuing the business operation of the Group and is in the ordinary and usual course of business of the Group. Therefore, the Board considers that the terms of the Lease Renewal are on normal commercial terms and fair and reasonable and the entering into of the Lease Renewal is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, THE LANDLORDS AND CENTRAL PLAZA

The Company

The Company is an investment holding company. The Group is principally engaged in provision of financial services in Hong Kong and the PRC.

The Landlords

Cheer City Properties Limited

Cheer City Properties Limited is a company incorporated under the laws of Hong Kong with limited liability. It is principally engaged in property investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the ultimate beneficial owner of Cheer City Properties Limited is Sino Land Company Limited, a company incorporated in Hong Kong and listed on the Stock Exchange (Stock Code: 83), and (ii) each of Cheer City Properties Limited and its ultimate beneficial owner is an Independent Third Party.

Protasan Limited

Protasan Limited is a company incorporated under the laws of Hong Kong with limited liability. It is principally engaged in property investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the ultimate beneficial owner of Protasan Limited is Sun Hung Kai Properties Limited, a company incorporated in Hong Kong and listed on the Stock Exchange (Stock code: 16), and (ii) each of Protasan Limited and its ultimate beneficial owner is an Independent Third Party.

Central Plaza

Central Plaza is a company incorporated under the laws of Hong Kong with limited liability. It is the agent for the Landlords for the purpose of the Lease Renewal. It is principally engaged in provision of rental and management services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the ultimate beneficial owners of Central Plaza are Sino Land Company Limited and Sun Hung Kai Properties Limited, and (ii) each of Central Plaza and its ultimate beneficial owners is an Independent Third Party.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the Group will recognize the right-of-use asset on its consolidated statement of financial position in connection with the entering into of the Lease Renewal. Accordingly, the entering into of the Lease Renewal will be regarded as an acquisition of asset by the Group pursuant to Chapter 14 of the Listing Rules.

It is expected that the value of the right-of-use asset to be recognised by the Group under the Lease Renewal will be approximately HK\$5.7 million, which includes the present value of the aggregate rent payments to be made during the three-year term under the Lease Renewal, discounted by using the incremental borrowing rate in accordance with HKFRS 16 "Leases". A discount rate of approximately 7.94% per annum was adopted in calculating the present value of the above lease payments, which was determined with reference to the prevailing interest rate of the Group's external borrowings.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the Lease Renewal exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Renewal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Central Plaza”	Central Plaza Management Company Limited, a company incorporated in Hong Kong with limited liability and is the agent for the Landlords for the purpose of the Lease Renewal
“Company”	China Financial Services Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Tenancy Agreement”	the tenancy agreement dated 26 August 2020 entered into between the Tenant and Central Plaza (as agent for the Landlords) in respect of the leasing of the Premises from 23 June 2020 and ending on 22 June 2023 (both days inclusive)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s) (as defined in the Listing Rules)
“Landlords”	Cheer City Properties Limited (喜怡置業有限公司), a company incorporated in Hong Kong with limited liability and Protasan Limited, a company incorporated in Hong Kong with limited liability, both of which are Independent Third Parties
“Lease Renewal”	the tenancy renewal agreement dated 23 June 2023 entered into between the Tenant and Central Plaza (as agent for the Landlords) in respect of the leasing of the Premises, particulars of which are set out in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China, which for the purpose of this announcement, does not include Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Premises”	has the meaning as ascribed to it in the section headed “Principal terms of the Lease Renewal” in this announcement
“Service Charges”	the costs, charges and expenses for the management and maintenance of Central Plaza, No.18 Harbour Road, Wanchai, Hong Kong and for the supply of air-conditioning to the Premises
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	the Company
“%”	per cent

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

Hong Kong, 23 June 2023

As at the date of this announcement, the directors of the Company are:

Executive Director

Mr. Zhang Min (*Chief Executive Officer*)

Non-executive Directors

Mr. Tao Chun

Independent non-executive Directors

Mr. John Paul Ribeiro

Mr. Zhang Kun

Mr. Chan Chun Keung

Mr. Lee Ka Wai

Madam Zhan Lili