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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)

MAJOR TRANSACTION DISPOSAL OF INTERESTS IN A SUBSIDIARY

INTRODUCTION

The Board is pleased to announce that on 26 November 2012 (after trading hours), the Company's indirect wholly-owned subsidiary, KPB Marketing, as seller, entered into the Sale and Purchase Agreement with MSPEA, as buyer, pursuant to which (i) KPB Marketing conditionally agreed to sell and MSPEA conditionally agreed to purchase the Sale Shares, being 72% of the issued share capital of the Cayman Subsidiary and (ii) MSPEA conditionally agreed to settle the Shareholder's Loan, for a consideration of RMB58,098,218. Upon Completion, the Cayman Subsidiary will cease to be a member of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under the Listing Rules in respect of the Disposal and the transactions contemplated under the Sale and Purchase Agreement are more than 25% but less than 75%, the Disposal and the transactions contemplated under the Sale and Purchase Agreement constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, disclosure and shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and the transactions contemplated under the Sale and Purchase Agreement and hence no Shareholder is required to abstain from voting if the Company were to convene an EGM for the approval of the Disposal and the transactions contemplated under the Sale and Purchase Agreement.

Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval has been obtained from the following closely allied group of Shareholders who together hold more than 50% in nominal value of the Shares giving the right to attend and vote at general meeting to approve the Disposal and the transactions contemplated under the Sale and Purchase Agreement:

- (i) Arbalice Holdings Ltd., holding 86,400,000 Shares (representing approximately 2.88% of the issued share capital of the Company), an investment holding company owned as to 60% by Cheung and 40% by Lo Wan;
- (ii) Lo Wan, holding 236,108,000 Shares (representing approximately 7.88% of the issued share capital of the Company); and
- (iii) Cheung, holding 1,710,044,240 Shares (representing approximately 57.06% of the issued share capital of the Company).

Therefore, no EGM is required and will be convened for obtaining the Shareholders' approval in respect of the Disposal and the transactions contemplated under the Sale and Purchase Agreement.

GENERAL

A circular, containing details of the Disposal and other information of the Group, will be despatched to the Shareholders as soon as possible.

Pursuant to Rule 14.41 of the Listing Rules, the Company is required to dispatch to Shareholders a circular in relation to the Disposal within 15 business days after the publication of this announcement, that is on or before 17 December, 2012. The Company may not be able to dispatch the circular within such period due to the time required to prepare the relevant information to be included in the circular under the Listing Rules, in which case the Company shall make a further announcement of any expected delay in dispatch of the circular in due course.

As the Disposal is subject to a number of conditions precedent, the Sale and Purchase Agreement may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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THE SALE AND PURCHASE AGREEMENT

Date

26 November 2012

Parties to the Sale and Purchase Agreement

- (i) the Company;
- (ii) KPB Group;
- (iii) KPB Asset;

- (iv) Cheung;
- (v) KPB Marketing, as seller; and
- (vi) MSPEA, as buyer.

KPB Marketing is wholly-owned by KPB Asset, which in turn is wholly-owned by KPB Group, which in turn is wholly-owned by the Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, MSPEA and its respective ultimate beneficial owners are independent third parties independent of the Company and its connected person (as defined under the Listing Rules).

Assets to be disposed

The Sale Shares, representing 72% of the entire issued share capital in the Cayman Subsidiary, which carries on the convenience store business in the PRC through the Disposed Group Companies with the major assets of the Disposed Group Companies including certain trademarks.

Consideration

The Consideration is RMB58,098,218 payable by MSPEA in cash in United States dollars to KPB Marketing on the Completion Date.

The Consideration was determined after arm's length negotiations between KPB Marketing and MSPEA. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The unaudited net assets of the Disposed Group as at 30 June 2012 was approximately HK\$17.8 million. Upon Completion, it is expected that an estimated realized gain of approximately HK\$53.7 million (subject to audit) will be recorded. The actual gain will depend on the net assets of the Disposed Group at Completion.

The proceeds of the Disposal will be applied for the working capital of short term financing business and/or any investment opportunities that may arise.

Conditions Precedent

Under the Sale and Purchase Agreement, Completion is conditional upon satisfaction of the following conditions, among others:–

1. KPB Marketing and the Covenantors having performed and complied with, in all material respects, all covenants and obligations required to be performed or complied with by them under the Sale and Purchase Agreement on or before the Completion Date;
2. MSPEA having completed its due diligence investigation against the Disposed Group Companies and the results are to its satisfaction;
3. each of the warranties being accurate as at the date of the Sale and Purchase Agreement and as at the Completion Date as though restated on and as at the Completion Date with respect to facts, events and circumstances existing as at such date; and
4. necessary approval or consent having been obtained from the Stock Exchange in respect of the transactions contemplated under the Sale and Purchase Agreement and the shareholders of KPB Marketing and the Shareholders having passed resolutions which are necessary to give effect to the transactions contemplated under the Sale and Purchase Agreement and comply with the Listing Rules.

Completion

Subject to the satisfaction or waiver of the conditions precedent to Completion. Following the Completion, the Disposed Group Companies will cease to be members of the Group.

Restrictive Covenants

Each of KPB Marketing and the Covenantors undertakes to MSPEA for a period of five years after the Completion Date, the Group will not carry on or engage in any business which is or is likely to be in competition with the principal business of the WFOE or the Domestic Enterprise throughout the territories where any Disposed Group Company is active.

Termination

If any of the obligation of KPB Marketing and MSPEA have not been fulfilled or waived on or before 31 March 2013, the parties to the Sale and Purchase Agreement shall not be obliged to complete the sale and purchase of the Sale Shares and may terminate the Sale and Purchase Agreement by written notice to the other at any time after 31 March 2013.

INFORMATION ON THE PARTIES

(i) The Group

The Group is principally engaged in convenience store business and short term financing business in the PRC.

(ii) MSPEA

MSPEA is a limited liability company incorporated in the Netherlands under Dutch law, indirectly controlled by MSPEA III, which is a fund managed by the private equity arm of Morgan Stanley.

(iii) The Disposed Group

The Group operates its convenience store business pursuant to contractual arrangements among the HK Subsidiary, the WFOE, the Domestic Enterprise and Mr. Tao. The Domestic Enterprise has been at all times engaged in the operation of convenience stores business, and since the Restructuring, has exclusively engaged the WFOE to provide support for its convenience store business. The Disposed Group Companies are also the licensee and owner of certain trademarks in respect of the operation of the convenience stores business. The Disposed Group comprises the Cayman Subsidiary, the HK Subsidiary, the WFOE and the Domestic Enterprise. The WFOE is a company wholly owned by HK Subsidiary, which in turn is wholly owned by Cayman Subsidiary. Cayman Subsidiary, HK Subsidiary and the WFOE are subsidiaries of the Company.

The following are the audited consolidated turnover and profit before and after taxation of the Disposed Group for the two years ended 31 December 2011, assuming the Restructuring were taken place on 1 January 2010:

	For the year ended 2010 (HK\$'000)	For the year ended 2011 (HK\$'000)
Turnover	201,515	264,450
Profit before taxation	936	8,558
Profit after taxation	644	6,419

According to the unaudited consolidated accounts of the Disposed Group, the unaudited net asset value was approximately HK\$17.8 million as at 30 June 2012, assuming the Restructuring were taken place on 1 January 2010.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in convenience store business and short term financing business in the PRC. Since the injection of the short term financing business last year, the Company has started to focus on the provision of financial services that are characterized by high margin and returns. On the other hand, the convenience store business provides for a vastly different return profile that does not match the long-term strategy of the Company which may hinder the fast growing financing business. In the circumstances, the Board considered that it is in the interests of the Company and the Shareholders as a whole to devote more resources in the development of the short term financing business. The Disposal represents a good opportunity for the Group to realize its investment in the retail business at a fair and reasonable price while the sales proceeds then received would be able to support the continuous growth of the short term financing business, thereby generating a higher return for the Group in the future.

The Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under the Listing Rules in respect of the Disposal and the transactions contemplated under the Sale and Purchase Agreement are more than 25% but less than 75%, the Disposal and the transactions contemplated under the Sale and Purchase Agreement constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, disclosure and shareholders' approval requirements under the Listing Rules.

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- (ii) Lo Wan, holding 236,108,000 Shares (representing approximately 7.88% of the issued share capital of the Company); and
- (iii) Cheung, holding 1,710,044,240 Shares (representing approximately 57.06% of the issued share capital of the Company).

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As the Disposal is subject to a number of conditions precedent, the Sale and Purchase Agreement may or may not be completed. Shareholders and potential investors are advised 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 of the Company
“Cayman Subsidiary”	Idea Thrive Limited (拓思有限公司), an exempted company incorporated under the laws of the Cayman Islands and has an authorized share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each, a subsidiary of the KPB Marketing owned as to 72% by KPB Marketing, 18.1% by Best Castle Group Limited and 9.9% by Cheung
“Cheung”	Mr. Cheung Siu Lam, the chairman of the Company and an executive Director

“Company”	China Financial Services Holdings Limited, a company incorporated in Hong Kong and the issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Completion Date”	the date when the Completion would take place pursuant to the Sale and Purchase Agreement
“Consideration”	the consideration of RMB58,098,218 payable by MSPEA to KPB Marketing in respect of the Sale Shares and the settlement of the Shareholder’s Loan
“Covenantors”	together, the Company, KPB Group, KPB Asset and Cheung
“Deed of Restructuring”	a deed of restructuring entered into on 6 November 2012 among the Company, Cheung, KPB Marketing, Mr. Tao, KPICR and the Cayman Subsidiary
“Disposal”	the disposal of the Sale Shares by KPB Marketing as contemplated under the Sale and Purchase Agreement
“Disposed Group”	the Cayman Subsidiary and its subsidiaries, including, but not limited to, the HK Subsidiary, the WFOE and the Domestic Enterprise, together, the “Disposed Group Companies” and each, a “Disposed Group Company”
“Directors”	directors of the Company for the time being
“Domestic Enterprise”	北京港佳好鄰居連鎖便利店有限責任公司 (Beijing K.P.I. Hi-24 Convenience Stores Company Limited [#]), a limited liability company established under the laws of the PRC

“EGM”	the extraordinary general meeting of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	New Prosper Holdings Limited (新盛集團有限公司), a company incorporated under the laws of Hong Kong and has an authorized share capital of HK\$500,000 divided into 500,000 shares of HK\$1.00 each, is a wholly-owned subsidiary of the Cayman Subsidiary
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“KPB Asset”	K.P.B. Asset Holdings Limited, a company incorporated under the laws of the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company
“KPB Group”	K.P.B. Group Holdings Limited, a company incorporated under the laws of the British Virgin Islands, which is a wholly-owned subsidiary of the Company
“KPB Marketing”	K.P.B. Marketing Limited, a company incorporated under the laws of the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company
“KPICR”	K.P.I. Convenience Retail Company Limited, a company incorporated under the laws of the British Virgin Islands, which is owned as to 72% by KPB Marketing and 28% by Cheung
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lo Wan”	Madam Lo Wan, a non-executive Director and Cheung’s spouse
“Mr. Tao”	Mr. Tao Ye, an executive Director and the shareholder in respect of 100% equity interest in the Domestic Enterprise

“MSPEA”	MSPEA CVS Holding B.V., a limited liability company incorporated in the Netherlands and under Dutch law, indirectly controlled by MSPEA III
“MSPEA III”	a fund managed by the private equity arm of Morgan Stanley
“PRC”	People’s Republic of China
“Restructuring”	the internal restructuring of the Group contemplated under the Deed of Restructuring, which involved the rationalization of the organizational structure of its financing business and convenience store business
“RMB”	renminbi yuan, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement relating to the sale and purchase of the Sale Shares entered into among the Covenantors, KPB Marketing and MSPEA dated 26 November 2012
“Sale Shares”	36,000 shares of the Cayman Subsidiary
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholder’s Loan”	the interest free shareholder’s loan due to KPB Marketing by the Cayman Subsidiary in an amount of HK\$309,600 as at 31 October 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“United States dollars” or “US\$” United States dollars, the lawful currency of the United States of America

“WFOE” 北京中港佳鄰商業諮詢有限公司 (Beijing Zhonggang Jialin Business Consulting Co., Ltd.[#]), a wholly foreign-owned enterprise established in the PRC, which is wholly-owned by the HK Subsidiary

Note:

The exchange rate between RMB and Hong Kong dollars in this announcement is RMB1 = HK\$0.8116. The provision of such exchange rate does not mean that Hong Kong dollars could be converted into RMB or vice versa at such exchange rate or at all

[#] *The English name is not an official name and is provided for reference only*

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

Hong Kong, 26 November 2012

As at the date hereof, the Board comprises Mr. Cheung Siu Lam (Chairman), Mr. Chan Yuk Ming (Vice Chairman) Mr. Tao Ye as executive Directors; Madam Lo Wan and Mr. Liu Hui as non-executive Director; and Mr. Wang Jian Sheng, Mr. Chan Chun Keung and Mr. Tsang Kwok Wai as independent non-executive Directors.