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CONVOY FINANCIAL SERVICES HOLDINGS LIMITED

康宏理財控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1019)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



THE PLACING

On 8 May 2014 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 39,800,000 Placing Shares to currently expected not less than six Placees who are Independent Third Parties at a price of HK\$1.15 per Placing Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 39,800,000 Placing Shares under the Placing represents (i) approximately 8.31% of the existing issued share capital of the Company of 479,104,000 Shares as at the date of this announcement; and (ii) approximately 7.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing (assuming that the Placing is completed in full) will be HK\$3,980,000.

The Placing Price of HK\$1.15 per Placing Share represents (i) a discount of approximately 13.53% to the closing price of HK\$1.33 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 13.27% to the average closing price of HK\$1.326 per Share as quoted on the Stock Exchange for the 5 consecutive trading days of the Shares immediately prior to the date of the Placing Agreement.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to the allotment and/or despatch of certificates for the Placing Shares) the listing of, and permission to deal in, the Placing Shares.

Assuming that the Placing is completed in full, the maximum gross proceeds from the Placing will be approximately HK\$45.77 million. The maximum net proceeds from the Placing will amount to approximately HK\$44.50 million (after deduction of commission and other expenses of the Placing) which is intended to be used as the general working capital and for business development of the Group. The net price per Placing Share will be approximately HK\$1.12.

Since completion of the Placing is subject to the fulfilment and/or waiver of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

8 May 2014 (after trading hours)

Issuer

The Company

Placing Agent

Kingston Securities Limited

The Placing Agent has conditionally agreed to place up to 39,800,000 Placing Shares, on a best effort basis, to the Placees. The Placing Agent will receive a placing commission of 2.5% on the gross proceeds of the actual number of the Placing Shares being placed. Such placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market rate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with any directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their associate. As at the date of this announcement, the Placing Agent is not interested in any Shares.

Placees

The Placing Agent will place the Placing Shares to currently expected not less than six Placees who will be independent professional, institutional or other investors. The Placees, who and whose ultimate beneficial owner(s), shall be Independent Third Parties. The Placing Agent undertook to use its best endeavour to ensure that none of the Placees will become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the Placing. If any of the Placees becomes a new substantial Shareholder (as defined under the Listing Rules) after the completion of the Placing, a further announcement will be made by the Company.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 39,800,000 Placing Shares under the Placing represents (i) approximately 8.31% of the existing issued share capital of the Company of 479,104,000 Shares as at the date of this announcement; and (ii) approximately 7.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing (assuming that the Placing is completed in full) will be HK\$3,980,000.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$1.15 per Placing Share represents:

- (i) a discount of approximately 13.53% to the closing price of HK\$1.330 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 13.27% to the average closing price of HK\$1.326 per Share as quoted on the Stock Exchange for the 5 consecutive trading days of the Shares immediately prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing (including the Placing Price and commission for the Placing Agent) are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

General Mandate to Allot and Issue the Placing Shares

The Placing Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM, subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 83,800,000 new Shares. Up to the date of this announcement, (i) 44,000,000 Shares have been allotted and issued pursuant to the General Mandate and the details of which are set out in the paragraph headed "Fund raising activities in the past twelve months" below; and (ii) the unutilised General Mandate is sufficient for the allotment and issue of the Placing Shares. Accordingly, the issue of the Placing Shares is not subject to the approval of the Shareholders.

Conditions of the Placing Agreement

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to the allotment and/or despatch of certificates for the Placing Shares) the listing of, and permission to deal in, the Placing Shares under the Placing; and
- (ii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding the force majeure events as defined below.

Completion of the Placing

Completion of the Placing will take place within four business days after the fulfillment and/or waiver (other than condition (i) above, which cannot be waived) of the conditions as set out in paragraph headed “Conditions of the Placing Agreement” above or such other date to be agreed between the Company and the Placing Agent in writing (“**Completion Date**”).

If the above conditions are not satisfied and/or waived (other than condition (i) above, which cannot be waived) in whole or in part by the Placing Agent on or before 5:00 p.m. on 22 May 2014 or such later date to be agreed between the Company and the Placing Agent in writing (“**Long Stop Date**”), the Placing Agreement will be terminated and the Placing will not proceed and all obligations and liabilities of the parties under the Placing Agreement will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches thereof).

Termination and force majeure

Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent’s appointment shall terminate upon the earlier of (a) the completion of the Placing; (b) the Long Stop Date if the conditions as set out in the paragraph headed “Conditions of the Placing Agreement” above have not been satisfied (or waived as the case may be) and (c) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.

The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below):

For this purpose, a force majeure event (“**force majeure event**”) refers to:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the Completion Date:

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or any announcements or circulars relating to the Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated and the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

Since completion of the Placing is subject to the fulfilment and/or waiver of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

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

Assuming the Placing is completed in full, the maximum gross proceeds from the Placing will be approximately HK\$45.77 million. The maximum net proceeds from the Placing will amount to approximately HK\$44.50 million which is intended to be used as the general working capital and for business development of the Group. The net price per Placing Share will be approximately HK\$1.12.

The Directors have considered various ways of raising funds and believe that the Placing represents an opportunity to raise capital for the Group while broadening its Shareholder and capital base. Accordingly, the Directors are of the view that the Placing is in the best interest of the Company and its Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Apart from the fund raising activities set out below, the Company had not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement.

| Date of announcement | Event | Net proceeds (approximately) | Intended use of proceeds as announced | Actual use of proceeds |
|-----------------------------|--|-------------------------------------|--|-------------------------------------|
| 24 July 2013 | Placing of 44,000,000 Shares under the General Mandate | HK\$78.0 million | Money lending business and proprietary investment business | Has been fully utilised as intended |

EFFECTS ON SHAREHOLDING STRUCTURE

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing are set out below:

| Shareholders | As at the date of this announcement | | Upon completion of the Placing (Note 4) | |
|--|--|---------------------------|--|---------------------------|
| | No. of Shares | Approximate % (Note 5) | No. of Shares | Approximate % (Note 5) |
| Convoy Financial Group Limited (“CFG”) (Note 1) | 138,964,104 | 29.00 | 138,964,104 | 26.78 |
| Town Health Corporate Advisory and Investments Limited (Note 2) | 67,968,000 | 14.20 | 67,968,000 | 13.10 |
| Ultimate Achieve Limited (Note 2) | 11,042,000 | 2.30 | 11,042,000 | 2.13 |
| Public | | | | |
| The Placees (Note 3) | – | – | 39,800,000 | 7.67 |
| Other public Shareholders | <u>261,129,896</u> | <u>54.50</u> | <u>261,129,896</u> | <u>50.32</u> |
| Total | <u><u>479,104,000</u></u> | <u><u>100.00</u></u> | <u><u>518,904,000</u></u> | <u><u>100.00</u></u> |

Notes:

- The 138,964,104 Shares are held by CFG as beneficial owner. CFG is owned as to approximately 43.79% by Convoy Inc. and approximately 56.21% by Perfect Team Group Limited. Perfect Team Group Limited is wholly-owned by Convoy Inc.
- Town Health Corporate Advisory and Investments Limited is an indirectly wholly-owned subsidiary of Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited) (“**Town Health International**”), a company listed on the Main Board of the Stock Exchange. Ultimate Achieve Limited is an indirectly 73.61% owned subsidiary of Town Health International.
- The Placing Shares will be placed by the Placing Agent to currently expected not less than six Placees who are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder. Accordingly, the shareholding held by the Placees is regarded as held by the public.
- This assumes the Placing Shares are fully placed.
- The percentages are subject to rounding difference, if any.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

| | |
|-------------------|--|
| “AGM” | the annual general meeting of the Company held on 10 June 2013 |
| “Board” | the board of Directors |
| “business day” | being a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business |
| “Company” | Convoy Financial Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “General Mandate” | the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM |
| “Group” | the Company and its subsidiaries |

| | |
|--------------------------------|---|
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | third party(ies) independent of, not connected or acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates (as defined under the Listing Rules) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Placee(s)” | any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement |
| “Placing” | the placing of a maximum of 39,800,000 Placing Shares by the Placing Agent, on a best effort basis, pursuant to the terms of the Placing Agreement |
| “Placing Agent” | Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Placing Agreement” | the conditional placing agreement entered into between the Company and the Placing Agent dated 8 May 2014 in relation to the Placing |
| “Placing Price” | HK\$1.15 per Placing Share |
| “Placing Share(s)” | up to 39,800,000 new Shares to be placed pursuant to the Placing Agreement |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

| | |
|------------------|---|
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the issued share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

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

8 May 2014

As at the date of this announcement, the executive Directors are Mr. Wong Lee Man (Chairman), Ms. Fong Sut Sam and Mr. Mak Kwong Yiu; the non-executive Director is Mr. Kwok Shun Tim; and the independent non-executive Directors are Mrs. Fu Kwong Wing Ting, Francine, Dr. Wu Ka Chee, Davy, Mr. Ma Yiu Ho, Peter and Mr. Lam Chi Keung.