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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

(1) ACQUISITION OF CERTAIN ASSETS OF HK CREDIT GAIN AND (2) ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN SHENZHEN CREDIT GAIN, CHONGQING CREDIT GAIN AND CHONGQING DONGRONG

THE ACQUISITIONS

The Board is pleased to announce that on 29 November 2017 (after trading hours) (i) QL Finance (a wholly-owned subsidiary of the Company) entered into the Asset Purchase Agreement with The Bank of East Asia, Limited, HK Credit Gain and the Company, pursuant to which QL Finance has conditionally agreed to purchase, and HK Credit Gain has conditionally agreed to sell, the Loan Book Assets; and (ii) the Company entered into the Equity Transfer Agreement with The Bank of East Asia, Limited and HK Credit Gain, pursuant to which The Bank of East Asia, Limited and HK Credit Gain conditionally agreed to sell, and the Company conditionally agreed to purchase, the Equity Interests.

The Aggregate Consideration for the Acquisitions is approximately HK\$1,078,956,984 (subject to adjustments), comprising:

- (i) the Asset Consideration, representing (a) 105% of the outstanding principal amount of all APA Loans plus (b) unpaid accrued fees and interests, both as at the relevant Effective Time. For illustration purposes, the Asset Consideration is approximately HK\$414,183,881 based on relevant figures as at 31 October 2017; and
- (ii) the Equity Consideration of RMB563,367,037 (equivalent to approximately HK\$664,773,103), representing 101% of the net asset value of the Shenzhen Credit Gain and Chongqing Credit Gain as at 31 December 2016 (subject to adjustments).

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

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisitions exceed 25% but are all less than 100% (on an aggregated basis), the Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the notification, announcement and circular requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisitions and no Shareholder is therefore required to abstain from voting on the relevant resolution(s) if the Company were to convene a general meeting to approve the Acquisitions. The Company has obtained the written approval of the Acquisitions by Mr. Cheung Siu Lam, Madam Lo Wan and Arbalice Holdings Limited, which directly holds 1,720,044,240 Shares, 468,516,000 Shares and 86,400,000 Shares, respectively, as at the date of this announcement, representing approximately 39.89%, 10.87% and 2.00% of the total number of Shares in issue, respectively. Madam Lo Wan is the spouse of Mr. Cheung Siu Lam and Arbalice Holdings Limited is beneficially owned as to 60% by Mr. Cheung Siu Lam and 40% by Madam Lo Wan. Accordingly, the Company is not required to convene a general meeting to approve the Acquisitions pursuant to Rule 14.44 of the Listing Rules.

GENERAL

The Circular containing, among other things, further details of the Acquisitions, financial and other information on the Target Companies, will be despatched to the Shareholders for their information. Pursuant to Rule 14.41(a) of the Listing Rules, the Circular is required to be despatched to the Shareholders within fifteen (15) Business Days after publication of this announcement, that is, on or before 20 December 2017. In order to allow sufficient time to prepare the information to be included in the Circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. Subject to the granting of such waiver by the Stock Exchange, the Circular is expected to be despatched to the Shareholders on or before 31 January 2018. Further announcement(s) will be made by the Company as and when appropriate.

Completion of the Asset Purchase and the Equity Transfer is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Asset Purchase Agreement and the Equity Transfer Agreement, respectively. As the Acquisitions 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 29 November 2017 (after trading hours) (i) QL Finance (a wholly-owned subsidiary of the Company) entered into the Asset Purchase Agreement with BEA, HK Credit Gain and the Company, pursuant to which QL Finance has conditionally agreed to purchase, and HK Credit Gain has conditionally agreed to sell, the Loan Book Assets; and (ii) the Company entered into the Equity Transfer Agreement with BEA and HK Credit Gain, pursuant to which BEA and HK Credit Gain conditionally agreed to sell, and the Company conditionally agreed to purchase, the Equity Interests.

THE ASSET PURCHASE AGREEMENT

Principal terms of the Asset Purchase Agreement are set forth below:

Date: 29 November 2017 (after trading hours)

| | | | |
|-----------------|-------------------------|---|--|
| Parties: | (i) Seller | : | HK Credit Gain, a wholly-owned subsidiary of BEA |
| | (ii) Seller's guarantor | : | BEA |
| | (iii) Buyer | : | QL Finance, a wholly-owned subsidiary of the Company |
| | (iv) Buyer's guarantor | : | China Financial Services Holdings Limited, the Company |

Assets to be acquired

The legal and beneficial title to the Loan Book Assets, which comprise the First Loan Book Assets and the Second Loan Book Assets.

As at 31 October 2017, the outstanding principal amount of all APA Loans is approximately HK\$392,546,966 in total. The average interest rate of the APA Loans is 14.3%.

Asset Consideration

The Asset Consideration shall be the aggregate Final Loan Purchase Price for all APA Loans, representing (i) 105% of the outstanding principal amount of all APA Loans plus (ii) unpaid accrued fees and interests, both as at the relevant Effective Time. For illustration purposes, the Asset Consideration is approximately HK\$414,183,881 based on relevant figures as at 31 October 2017.

The Asset Consideration shall be payable by QL Finance to HK Credit Gain in the following manner:

- (a) the First Aggregate Loan Purchase Price shall be payable in cash on the APA First Completion Date;
- (b) the Second Aggregate Loan Purchase Price shall be payable in cash on the APA Second Completion Date,

subject to any adjustments in accordance with the Asset Purchase Agreement.

Adjustments

The Final Loan Purchase Price shall be agreed in accordance with the procedures set out in the Asset Purchase Agreement, following which the First Aggregate Loan Purchase Price or the Second Aggregate Loan Purchase Price (as the case may be) shall be adjusted to reflect the actual outstanding principal amount of all APA Loans plus unpaid accrued fees and interests, as at the First Effective Time or Second Effective Time (as the case may be).

Basis of determination

The Asset Consideration was determined after arm's length negotiations among the parties to the Asset Purchase Agreement having taken into consideration various factors, including: (i) the size and quality of the loan book of HK Credit Gain; and (ii) the benefits of the Acquisitions as disclosed in the section headed "Reasons for and benefits of the Acquisitions" in this announcement.

The Asset Consideration 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 Asset Consideration is fair and reasonable and on normal commercial terms.

Conditions Precedent

APA First Completion is conditional on the publishing of a notice in accordance with the TBO not later than one (1) month before the APA First Completion Date and, either (a) no proceeding having been instituted against HK Credit Gain or QL Finance in accordance with the TBO within one (1) month from the date of publication of that notice; or (b) in the event that proceedings have been instituted against HK Credit Gain or QL Finance in accordance with the TBO during the one (1) month of publication of that notice, and the claims having been either satisfied in a manner mutually acceptable to HK Credit Gain or QL Finance or withdrawn or revoked within one (1) month thereafter. QL Finance and HK Credit Gain may jointly waive this condition precedent. If this condition has not been satisfied or waived on or before 11:59 p.m. on the Long Stop Date, the Asset Purchase Agreement shall automatically terminate with immediate effect.

APA Second Completion is conditional on the APA First Completion having occurred.

Completion

Subject to the satisfaction or waiver (as the case may be) of the conditions precedent in the Asset Purchase Agreement, APA First Completion will take place on the APA First Completion Date and APA Second Completion will take place on the APA Second Completion Date.

Post-completion arrangements

HK Credit Gain and QL Finance will enter into a trademark license agreement on the APA First Completion Date, pursuant to which HK Credit Gain shall grant to QL Finance a license to use certain trademarks of HK Credit Gain for the conduct of the money lending business operated by QL Finance in Hong Kong for a term of three years from the APA First Completion Date for nominal consideration.

BEA, QL Finance and the Company will enter into a transitional services agreement on the APA First Completion Date, pursuant to which BEA will provide information technology and systems support to QL Finance for a term of four months from the APA First Completion Date.

Guarantees

The Company as primary obligor has guaranteed to HK Credit Gain the due and punctual performance of each obligation of QL Finance under the Asset Purchase Agreement and related transaction documents to which QL Finance is a party.

BEA has guaranteed to QL Finance the due and punctual payment of all sum of money which HK Credit Gain is liable to pay pursuant to certain provisions of the Asset Purchase Agreement, only to the extent that if HK Credit Gain fails to pay such sum of money in full within ten (10) Business Days after it is due.

HK Credit Gain shall provide a guarantee in favour of QL Finance for losses in relation to each APA Guaranteed Loan within 18 months from the relevant APA Completion Date, subject to an agreed threshold amount.

THE EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are set forth below:

Date: 29 November 2017 (after trading hours)

Parties:

| | | |
|-------------|---|--|
| (i) Sellers | : | BEA, HK Credit Gain |
| (ii) Buyer | : | China Financial Services Holdings Limited, the Company |

Assets to be acquired

The Equity Interests, comprising the Shenzhen Credit Gain Equity Interests, the Chongqing Credit Gain Equity Interests and the Chongqing Dongrong Equity Interests.

Equity Consideration

The Equity Consideration shall be an aggregate amount of RMB563,367,037 (equivalent to approximately HK\$664,773,103), representing 101% of the net asset value of Shenzhen Credit Gain and Chongqing Credit Gain as at 31 December 2016 and comprising:

- (i) RMB258,045,415 (equivalent to approximately HK\$304,493,589) for the Shenzhen Credit Gain Equity Interests;
- (ii) RMB305,321,622 (equivalent to approximately HK\$360,279,514) for the Chongqing Credit Gain Equity Interests; and
- (iii) nil for the Chongqing Dongrong Equity Interests,

subject to adjustments in accordance with Equity Transfer Agreement.

The Equity Consideration shall be payable by the Company to BEA in the following manner:

- (i) the Deposit shall be payable in cash immediately upon execution of the Equity Transfer agreement;
- (ii) the balance of the Equity Consideration after deducting the Deposit and the Deferred Payment shall be payable in cash in HK\$ on the ETA Completion Date; and
- (iii) the Deferred Payment shall be payable in cash in three equal instalments on each anniversary of the ETA Completion Date, at an interest rate linked to the prime lending rate published by BEA on its website.

As security for the Deferred Payment and accrued interests, the Company shall procure the provision of security in favour of BEA over (a) the secured APA Loans to be transferred to QL Finance under the Asset Purchase Agreement; (b) to the extent that the value of (a) is not sufficient, the unsecured APA Loans to be transferred to QL Finance under the Asset Purchase Agreement; and (c) to the extent that the aggregate value of (a) and (b) is not sufficient, the loans advanced in the course of its own money lending business which satisfy certain agreed criteria. The aggregate value of such security shall be not less than 120% of the outstanding amount of the Deferred Payment at all times until full payment of the Deferred Payment and accrued interests.

Adjustments

The Equity Consideration shall be adjusted as follows:

- (a) if the Net Completion Assets is greater than the Net Assets, 101% of the difference shall be added to the Equity Consideration and paid to BEA; and
- (b) if the Net Completion Assets is less than the Net Assets, 101% of the difference shall be deducted from the Equity Consideration and paid to the Company.

Basis of determination

The Equity Consideration was determined after arm's length negotiations among the parties to the Equity Transfer Agreement having taken into consideration various factors, including: (i) the net asset value of the Target Companies; and (ii) the benefits of the Acquisitions as disclosed in the section headed "Reasons for and benefits of the Acquisitions" in this announcement.

The Equity Consideration 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 Equity Consideration is fair and reasonable and on normal commercial terms.

Condition Precedent

ETA Completion is conditional on the obtaining of the written approval of each Financial Services Office for the sale and purchase of the Chongqing Credit Gain Equity Interests and Shenzhen Credit Gain Equity Interests respectively, either (a) without any conditions attached thereto, or (b) if such approval is granted subject to condition(s), such condition(s) will not result in any material changes to the terms and conditions of the Equity Transfer Agreement or materially restrict the ability of Chongqing Credit Gain or Shenzhen Credit Gain to conduct its principal business in the manner it is conducted as at the date of the Equity Transfer Agreement; and such approval remaining valid and effective up to ETA Completion.

Completion

Subject to satisfaction of the condition precedent under the Equity Transfer Agreement, ETA Completion shall take place on the ETA Completion Date. Upon ETA Completion, each of the Target Companies will become a wholly-owned subsidiary of the Company and the financial information of each of the Target Companies will be consolidated into the Company's consolidated financial statements.

Post-completion arrangements

BEA, Shenzhen Credit Gain, Chongqing Credit Gain and the Company will enter into a transitional services agreement on the ETA Completion Date, pursuant to which BEA will provide information technology support to each of Shenzhen Credit Gain and Chongqing Credit Gain for a term of four months from the ETA Completion Date.

BEA shall provide a guarantee in favour of the Company for losses in relation to each ETA Guaranteed Loan within 18 months from the ETA Completion Date, subject to an agreed threshold amount.

INFORMATION ON THE TARGET COMPANIES

Shenzhen Credit Gain

Shenzhen Credit Gain is established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of BEA. It is principally engaged in micro-finance business in Shenzhen, PRC by offering different types of loans to its customers, including mortgage and unsecured loans.

The key audited financial information of Shenzhen Credit Gain for the financial years ended 31 December 2015 and 31 December 2016 is set out below:

| | For the year ended 31 December 2015 | For the year ended 31 December 2016 |
|-----------------------------|--|--|
| | <i>RMB</i> | <i>RMB</i> |
| Revenue | 67,562,000 | 67,445,000 |
| Net profit/(loss) after tax | (13,799,000) | 2,002,000 |

As at 31 December 2016, the audited net asset value of Shenzhen Credit Gain was approximately RMB255,490,510 and the outstanding principal amount of all loans advanced by Shenzhen Credit Gain was RMB180,023,270. The average interest for loans advanced by Shenzhen Credit Gain is 26.9%.

Chongqing Credit Gain

Chongqing Credit Gain is established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of BEA. It is principally engaged in micro-finance business in Chongqing, PRC by offering different types of loans to its customers, including mortgage and unsecured loans.

The key audited financial information of Chongqing Credit Gain for the financial years ended 31 December 2015 and 31 December 2016 is set out below:

| | For the year ended 31 December 2015 | For the year ended 31 December 2016 |
|-----------------------------|--|--|
| | <i>RMB</i> | <i>RMB</i> |
| Revenue | 24,945,000 | 25,400,000 |
| Net profit/(loss) after tax | (2,588,000) | 6,324,000 |

As at 31 December 2016, the audited net asset value of Chongqing Credit Gain was approximately RMB302,298,636 and the outstanding principal amount of all loans advanced by Chongqing Credit Gain was RMB75,762,553. The average interest for loans advanced by Chongqing Credit Gain is 24.3%.

Chongqing Dongrong

Chongqing Dongrong is established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of HK Credit Gain, hence an indirect wholly-owned subsidiary of BEA. It is principally engaged in the provision of consultancy services, acquires and refers customers to Chongqing Credit Gain and collects management and application fees.

The key audited financial information of Chongqing Dongrong for the financial years ended 31 December 2015 and 31 December 2016 is set out below:

| | For the year ended 31 December 2015 | For the year ended 31 December 2016 |
|--------------------|--|--|
| | <i>RMB</i> | <i>RMB</i> |
| Revenue | 9,335,000 | 5,241,000 |
| Net loss after tax | (1,430,000) | (1,381,000) |

As at 31 December 2016, the audited negative net asset value of Chongqing Dongrong was approximately RMB557,457.

INFORMATION ON THE PARTIES

The Group is principally engaged in the provision of short-term financing services in the PRC and Hong Kong to small and medium-sized enterprises, microenterprises and individuals.

QL Finance was incorporated in the Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in the money lending business in Hong Kong.

BEA is a licensed bank incorporated in Hong Kong with limited liability and is listed on the Stock Exchange. BEA offers customers a comprehensive range of corporate banking, personal banking, wealth management, and investment services through an extensive network in Hong Kong and the rest of Greater China, Southeast Asia, the United Kingdom and United States.

HK Credit Gain is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BEA. Since 2006, it has been principally engaged in the money lending business in Hong Kong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, HK Credit Gain and BEA and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Board considers that the Acquisitions represent an important strategic move for the Group, as the Acquisitions will be adding a well-known consumer finance brand established more than 10 years ago to the Group's portfolio. On top of immediately doubling the Group's loan portfolio in Hong Kong, the Acquisitions complement the Group's existing business by adding new regions including Shenzhen, a strategically important tier 1 city, and Chongqing, a municipality and gateway to Southwest China. The Acquisitions also enhance the Group's product line by adding unsecured consumer loan into its product portfolio. HK Credit Gain and the Target Companies' brand recognition and track record in unsecured consumer loan will give the Group immediate access to unsecured lending, a product that is more standardized and highly scalable. In terms of mortgage loans, the Board believes that as a result of the Acquisitions, significant synergies can be achieved in customer acquisition, risk management, and internal control.

Upon completion of the Acquisitions, through the trademark license agreement, the Group will be able to leverage on the goodwill and brand recognition of certain trademarks of HK Credit Gain, particularly in customer acquisition through online and mobile channels in Hong Kong. Furthermore, the Group will become a multi-regional and multi-product financial services group with presence in Beijing, Shenzhen, Chongqing, Chengdu, Shanghai and Hong Kong.

Through expanding revenue and enhancing cost structure, the Board expects the Loan Book Assets and the Target Companies to be able to generate significant earnings contribution post-integration with the Group. Financial performance of the Group shall be further enhanced by the Deferred Payment arrangement at an interest rate linked to the prime lending rate published by BEA on its website, which would generate a return that is materially above the Group's cost of capital and internal rate of return. For the aforementioned reasons, we expect the Acquisitions to yield significant benefits to the Group's overall financial performance, thereby maximizing shareholder value.

The Directors consider that the terms of each of the Asset Purchase Agreement and the Equity Transfer 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 Acquisitions exceed 25% but are all less than 100% (on an aggregated basis), the Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the notification, announcement and circular requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisitions and no Shareholder is therefore required to abstain from voting on the relevant resolution(s) if the Company were to convene a general meeting to approve the Acquisitions. The Company has obtained the written approval of the Acquisitions by Mr. Cheung Siu Lam, Madam Lo Wan and Arbalice Holdings Limited, which directly holds 1,720,044,240 Shares, 468,516,000 Shares and 86,400,000 Shares, respectively, as at the date of this announcement, representing approximately 39.89%, 10.87% and 2.00% of the total number of Shares in issue, respectively. Madam Lo Wan is the spouse of Mr. Cheung Siu Lam and Arbalice Holdings Limited is beneficially owned as to 60% by Mr. Cheung Siu Lam and 40% by Madam Lo Wan. Accordingly, the Company is not required to convene a general meeting to approve the Acquisitions pursuant to Rule 14.44 of the Listing Rules.

GENERAL

The Circular containing, among other things, further details of the Acquisitions, financial and other information on the Target Companies, will be despatched to the Shareholders for their information. Pursuant to Rule 14.41(a) of the Listing Rules, the Circular is required to be despatched to the Shareholders within fifteen (15) Business Days after publication of this announcement, that is, on or before 20 December 2017. In order to allow sufficient time to prepare the information to be included in the Circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. Subject to the granting of such waiver by the Stock Exchange, the Circular is expected to be despatched to the Shareholders on or before 31 January 2018. Further announcement(s) will be made by the Company as and when appropriate.

Completion of the Asset Purchase and the Equity Transfer is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Asset Purchase Agreement and the Equity Transfer Agreement, respectively. As the Acquisitions 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.

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| “Acquisitions” | the Asset Purchase and the Equity Transfer |
| “APA Completion Date” | in respect of a First Book Loan, the APA First Completion Date and in respect of a Second Book Loan, the APA Second Completion Date |
| “APA First Completion” | completion of the sale and purchase of the First Loan Book Assets in accordance with the terms and conditions of the Asset Purchase Agreement |

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| “APA First Completion Date” | 28 December 2017 or such date as the parties to the Asset Purchase Agreement may agree in writing |
| “APA Guaranteed Loans” each, an “APA Guaranteed Loan” | (i) the secured APA Loans transferred to QL Finance which are classified as Default Loans as at the relevant Effective Time; and (ii) the unsecured APA Loans transferred to QL Finance which remain outstanding as at the relevant Effective Time, in each case the outstanding amount as shown in the relevant Completion Data Tape |
| “APA Loan” | a loan attributable to the money lending business operated by HK Credit Gain in Hong Kong through its branches under the name of Credit Gain Finance Company Limited and committed by HK Credit Gain |
| “APA Second Completion” | completion sale and purchase of the Second Loan Book Assets in accordance with the terms and conditions of the Asset Purchase Agreement |
| “APA Second Completion Date” | the date falling twenty-five (25) Business Days after the APA First Completion Date or such date as the parties to the Asset Purchase Agreement may agree in writing |
| “Aggregate Consideration” | the Asset Consideration and the Equity Consideration |
| “Asset Consideration” | the total consideration payable in relation to the Asset Purchase subject to the terms and conditions under the Asset Purchase Agreement |
| “Asset Purchase” | the proposed purchase of the Loan Book Assets by QL Finance pursuant to the Asset Purchase Agreement |

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| “Asset Purchase Agreement” | the conditional asset purchase agreement dated 29 November 2017 and entered into among BEA, HK Credit Gain, the Company and QL Finance in relation to the Asset Purchase |
| “BEA” | The Bank of East Asia, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 23) |
| “Board” | the board of Directors of the Company |
| “Business Day” | any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong and, in respect of the Equity Transfer Agreement only, China are open for the transaction of normal business |
| “Chongqing Credit Gain” | Chongqing Liangjiang New Area Credit Gain Finance Company Limited (重慶兩江新區領達小額貸款有限公司), a limited liability company established under the laws of the PRC |
| “Chongqing Credit Gain Equity Interests” | the entire equity interests held by BEA representing 100% of the registered capital of Chongqing Credit Gain and is equal to USD50,000,000, together with all rights accruing or attached thereto |
| “Chongqing Dongrong” | Chongqing Dongrong Business Consultancy Company Limited (重慶市東榮商務諮詢有限公司), a limited liability company established under the laws of the PRC |
| “Chongqing Dongrong Equity Interests” | the entire equity interests held by HK Credit Gain representing 100% of the registered capital of Chongqing Dongrong and is equal to HK\$6,300,000, together with all rights accruing or attached thereto |

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| “Circular” | the circular to be issued by the Company for the information of the Shareholders in accordance with the Listing Rules in respect of, among other things, the Acquisitions |
| “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 (Stock Code: 605) |
| “Completion Data Tapes”, each a “Completion Data Tape” | the First Completion Data Tape and the Second Completion Data Tape |
| “connected persons” | has the meaning ascribed to it under the Listing Rules |
| “Cut-off Date” | in respect of a First Book Loan, the First Cut-off Date; in respect of a Second Book Loan, the Second Cut-off Date |
| “Default Loan” | any APA Loan or ETA Loan (as the case may be) that is overdue for 90 days or more |
| “Deferred Payment” | an amount equal to (a) 30% of the Aggregate Consideration, or (b) HK\$300,000,000, whichever is the lower |
| “Deposit” | an amount equal to HK\$50,000,000 |
| “Director(s)” | the director(s) of the Company |
| “Effective Time” | in respect of the First Book Loans, the First Effective Time; in respect of the Second Book Loans, the Second Effective Time |
| “Equity Consideration” | the total consideration payable in relation to the Equity Transfer subject to the terms and conditions under the Equity Transfer Agreement |

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| “Equity Interests” | the Shenzhen Credit Gain Equity Interests, the Chongqing Credit Gain Equity Interests and the Chongqing Dongrong Equity Interests |
| “Equity Transfer” | the proposed acquisition of the Equity Interests by the Company pursuant to the Equity Transfer Agreement |
| “Equity Transfer Agreement” | the conditional sale and purchase agreement dated 29 November 2017 and entered into among the Company, BEA and HK Credit Gain in relation to the Equity Transfer |
| “ETA Completion” | completion of the sale and purchase of the Equity Interests in accordance with the Equity Transfer Agreement |
| “ETA Completion Date” | the tenth (10th) Business Day after the date on which the condition precedent under the equity transfer agreement is satisfied (such date not being later than the Long Stop Date), or such other date as may be agreed in writing between the parties to the Equity Transfer Agreement |
| “ETA Guaranteed Loans”, each an “ETA Guaranteed Loan” | (i) the secured ETA Loans which are classified as Default Loans (net of any individual impairment allowance) immediately before ETA Completion; and (ii) the unsecured ETA Loans which remain outstanding (net of any collective impairment allowance) immediately before ETA Completion, in each case, the outstanding amount as shown in the completion balance sheet to be finalized in accordance with the terms of the Equity Transfer Agreement |

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|---------------------------------------|---|
| “ETA Loan” | a loan advanced by Chongqing Credit Gain or Shenzhen Credit Gain |
| “Final Loan Purchase Price” | <p>in respect an APA Loan:</p> <p>(a) the outstanding principal amount of that APA Loan as at the relevant Effective Time for that APA Loan multiplied by 105%; plus</p> <p>(b) the amount of unpaid interest and fees accrued to, and including, the relevant Effective Time for that APA Loan, each of the amounts as specified in the relevant Completion Data Tape</p> |
| “Financial Services Office” | mean the Financial Development Services Office of the Shenzhen Municipal Government and the Chongqing Financial Affairs Office, as well as their respective offices at the district level, which are responsible for supervising the operations of, and approving the changes (including but not limited to equity transfer) of, Shenzhen Credit Gain and Chongqing Credit Gain, respectively |
| “First Aggregate Loan Purchase Price” | the aggregate of the Loan Purchase Price for all First Book Loans |
| “First Book Loans” | an APA Loan which is fully drawn immediately prior to the opening of business in Hong Kong on the First Cut-off Date |
| “First Completion Data Tape” | the data tape in respect of all First Book Loans including, for each First Book Loan, certain information as at the First Effective Time and the Final Loan Purchase Price |

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|--------------------------|---|
| “First Cut-off Date” | the date falling ten (10) Business Days prior to the APA First Completion Date or such other date as the parties to the Asset Purchase Agreement may agree in writing |
| “First Data Tape” | the data tape in respect of all First Book Loans including, for each First Book Loan, certain information as at the First Cut-off Date and the Loan Purchase Price |
| “First Effective Time” | the close of business on the Business Day before the APA First Completion Date |
| “First Loan Book Assets” | all First Book Loans, together with all related receivables, securities, documents, records, chose in action and rights |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HK Credit Gain” | Credit Gain Finance Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BEA |
| “Hong Kong” | the Hong Kong Special Administrative Region, PRC |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan Book Assets” | the First Loan Book Assets and the Second Loan Book Assets |

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| “Loan Purchase Price” | <p>in respect an APA Loan:</p> <p>(c) the outstanding principal amount of that APA Loan as at the relevant Cut-off Date for that APA Loan multiplied by 105%; plus</p> <p>(d) the amount of unpaid interest and fees accrued to, and including, the relevant Cut-off Date for that APA Loan, each of the amounts as specified in the First Data Tape or the Second Data Tape (as applicable)</p> |
| “Long Stop Date” | in respect of the Asset Purchase Agreement, 31 March 2018 and in respect of the Equity Transfer Agreement, 30 April 2018, or such later date as the parties to the Asset Purchase Agreement or the Equity Transfer Agreement (as the case may be) may agree in writing |
| “Net Assets” | the value of the net assets of Shenzhen Credit Gain and Chongqing Credit Gain as at 31 December 2016 |
| “Net Completion Assets” | the value of the net assets of Shenzhen Credit Gain and Chongqing Credit Gain as at the Completion Date, as shown in the statement to be agreed upon in accordance with the procedures set out in the Equity Transfer Agreement |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan |
| “QL Finance” | QL Finance Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Second Aggregate Loan Purchase Price” | the aggregate of the Loan Purchase Price for all Second Book Loans |

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| “Second Book Loans” | an APA Loan which is not a First book Loan, which was committed by HK Credit Gain prior to the First Effective Time and which is fully drawn immediately prior to the opening of business in Hong Kong on the Second Cut-off Date |
| “Second Completion Data Tape” | the data tape in respect of all Second Book Loans including, for each Second Book Loan, certain information as at the Second Effective Time and the Final Loan Purchase Price |
| “Second Cut-off Date” | the date falling twenty (20) Business Days after the First Completion Date or such other date as the parties to the Asset Purchase Agreement may agree in writing |
| “Second Data Tape” | the data tape in respect of all Second Book Loans including, for each Second Book Loan, certain information as at the Second Cut-off Date and the Loan Purchase Price |
| “Second Effective Time” | the close of business on the Business Day before the APA Second Completion Date |
| “Second Loan Book Assets” | all Second Book Loans, together with all related receivables, securities, documents, records, chose in action and rights |
| “Share(s)” | ordinary shares in the capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shenzhen Credit Gain” | Shenzhen Credit Gain Finance Company Limited (深圳市領達小額貸款有限公司), a limited liability company established under the laws of the PRC |
| “Shenzhen Credit Gain Equity Interests” | means the entire equity interests held by BEA representing 100% of the registered capital of Shenzhen Credit Gain and is equal to RMB300,000,000, together with all rights accruing or attached thereto |

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| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Companies” | Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong |
| “TBO” | Transfer of Business (Protection of Creditors Ordinance (Chapter 49, Laws of Hong Kong)) |
| “USD” | U.S. dollars, the lawful currency of the United States of America |
| “%” | per cent |

For the purpose of this announcement, the exchange rate of RMB1.00 to HK\$1.18 has been used for illustration purposes only and do not constitute any representation that any amounts have been, could have been or may be exchanged at this or any other rate.

By Order of the Board
China Financial Services Holdings Limited
Chan Yuk Ming
Chairman

Hong Kong, 29 November 2017

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

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. Zhou Jian
Madam Huang Mei

Independent Non-executive Directors:

Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Chan Wing Fai
Mr. Zhang Xiao Jun