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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)

**(1) VERY SUBSTANTIAL DISPOSAL
PROPOSED INVESTMENT INTO THE TARGET COMPANY
AND DEEMED DISPOSAL OF EQUITY INTEREST IN
THE TARGET COMPANY
(2) RESUMPTION OF TRADING**

The Board is pleased to announce that on 16 June 2020 (after trading hours), the Company and the Investors entered into the Investment Agreement pursuant to which the Investors have conditionally agreed to make capital contributions in the aggregate amount of RMB612 million into the Target Company subject to the terms and conditions of the Investment Agreement.

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon completion of the Proposed Investment, the Investors will collectively hold 51% of the enlarged registered capital of the Target Company and the Company's equity interest in the Target Company will be reduced from 100% to 49%. Such dilution of the Company's equity interest in the Target Company will constitute a deemed disposal of the Company's equity interest in the Target Company under Chapter 14 of the Listing Rules.

As one or more the applicable percentage ratios (as defined under the Listing Rules) in respect of the Deemed Disposal exceed(s) 75%, the Deemed Disposal constitutes a very substantial disposal for the Company and is therefore subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be held and convened for the purpose of considering and, if thought fit, approving the Investment Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Investment Agreement and the transactions contemplated thereunder; (ii) financial information of the Target Company; (iii) pro-forma financial information of the Group; and (iv) a notice convening the SGM, will be despatched to the Shareholders on or before 9 July 2020.

At the request of the Company, trading in the shares in the Company on the Stock Exchange was halted with effect from 9:00 a.m. on Wednesday, 17 June 2020. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares in the Company from 9:00 a.m. on Thursday, 18 June 2020.

WARNING

Completion of the Proposed Investment is subject to fulfilment of the conditions precedent as set out in the paragraph headed "Conditions" in this announcement. As the Proposed Investment may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

INTRODUCTION

The Board is pleased to announce that on 16 June 2020 (after trading hours), the Company and the Investors entered into the Investment Agreement pursuant to which the Investors have conditionally agreed to make capital contributions in the aggregate amount of RMB612 million into the Target Company subject to the terms and conditions of the Investment Agreement.

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THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are as set out below:

Date

16 June 2020

Parties

- (1) the Company; and
- (2) the Investors

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Investors and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Proposed Investment

As at the date of this announcement, the registered capital of the Target Company is RMB320 million. Subject to the fulfillment of the conditions as set out in the paragraph headed "Conditions" below, the Investors shall invest into the Target Company by making capital contributions in the aggregate amount of RMB612 million in cash and the Target Company shall capitalize undistributed profits of RMB268 million to be deemed as capital contribution of the Company before 31 August 2020, such that the registered capital of the Target Company will be increased to RMB1,200 million.

The capital contributions to be made by the Investors and the capitalization of undistributed profits to the credit of the Company and their respective shareholding in the Target Company following such exercises are as set out below:

Company/Investors	Capital Contribution		Shareholding in the Target Company
	By cash (RMB'000)	By capitalization of undistributed profit of the Target Company (RMB'000)	
The Company	–	268,000	49%
Xingquan Capital	150,000	–	12.5%
Yangjiazhuang Economic Cooperative	210,000	–	17.5%
Wenquancun Economic Cooperative	162,000	–	13.5%
Dongbutou Economic Cooperative	90,000	–	7.5%
Total	<u>612,000</u>	<u>268,000</u>	<u>100%</u>

As at 31 May 2020, the undistributed profits of the Target Company amounted to approximately RMB244.98 million. A valuation will be conducted by a valuer appointed by Xingquan Capital in respect of the assets of the Target Company as at 31 July 2020. If the undistributed profits of the Target Company as agreed by the parties after the valuation as at 31 July 2020 is less than RMB268 million, the Company will pay the relevant shortfall to the Target Company to make up the capital contribution. If the undistributed profits of the Target Company as agreed by the parties after the valuation as at 31 July 2020 is more than RMB268 million, the excess will be paid to the Company as special distribution.

The Target Company had a total loan portfolio of approximately RMB590 million as at 31 May 2020. The total capital contributions of RMB612 million to be made by the Investors have been determined taking into account the business operations and financial needs of the Target Company, and will be used as working capital of the Target Company and mainly to provide loans to small to medium-sized enterprises and AFR in Beijing.

Conditions

Completion of the Proposed Investment shall be subject to and conditional upon the Investment Agreement and the transactions contemplated thereunder having been approved by the Shareholders at the SGM and the Company's compliance with the Listing Rules.

Distribution and management of the Target Company

Following completion of the Proposed Investment, the following shall apply:

Distribution

10% of the profits of the Target Company (after compensating losses in previous financial years and after taxation) shall be reserved as provident fund in accordance with applicable laws. Subject to the approval of the shareholders of the Target Company, any remaining profits shall be distributed among the shareholders of the Target Company pro rata based on their respective capital contributions.

Transfer of equity interest

The transfer of equity interest in the Target Company by a shareholder of the Target Company shall be subject to the approval of the other shareholders with the majority amount of capital contributions ("**Approval**"). If any of the other shareholders do not respond to the transferring shareholder's written request for approval, it shall be deemed to have given approval to the proposed transfer. If the proposed transfer has not received Approval, the dissenting shareholders shall purchase the relevant equity interest. If the dissenting shareholders do not purchase the relevant equity interest, they shall be deemed to have given approval to the proposed transfer. If the proposed transfer has received Approval, the other shareholders shall have the pre-emptive rights to purchase the relevant equity interest on the same terms as those offered by the transferring shareholder to third parties. Any sale or purchase of equity interest in the Target Company by the Company shall be subject to the Company's compliance with the Listing Rules and approval of the Shareholders (if required).

Shareholders

Shareholders of the Target Company shall have voting rights corresponding to their respective capital contributions. All decisions of the shareholders of the Target Company shall be made by shareholders of the Target Company holding more than two-thirds of the voting rights in a shareholders' meeting, or by a written resolution signed by all shareholders.

The following matters in respect of the Target Company shall be decided by the shareholders of the Target Company: (a) business and investment plans; (b) appointment, change and remuneration of directors and supervisors; (c) approval of reports of the directors and supervisors; (d) approval of annual budget, dividend policy; (e) change of registered capital; (f) issuance of bonds, financing, provision of guarantee; (g) merger, spin-off, winding up, etc. and (h) amendments to the constitutional documents.

Directors

The board of directors of the Target Company shall consist of five directors, of which three directors shall be appointed by the Company and two directors shall be appointed by Xingquan Capital. The chairman of the board of directors of the Target Company shall be appointed by Xingquan Capital as representative of the Investors which collectively hold 51% of the equity interests in the Target Company immediately upon completion of the Proposed Investment, whereas the vice chairman of the board of directors of the Target Company shall be appointed by the Company. All decisions of the board of directors of the Target Company shall be made by the majority of the directors. The Chairman does not have a casting vote.

The directors of the Target Company shall be responsible for the following matters in respect of the Target Company: (a) convening shareholders' meeting and reporting to shareholders; (b) implementation of shareholders' decisions; (c) formulation of business plan and investment projects; (d) formulation of plans for budget, dividend policy, change of registered capital, issuance of bonds, merger, spin-off, winding up, etc.; (e) appointment, change and remuneration of managers and vice managers; and (f) formation of management structure.

Supervisors

The Target Company shall have three supervisors. Each of the Company, Xingquan Capital and the representative of the labour union shall be entitled to appoint one supervisor.

The supervisors of the Target Company shall be responsible for the following matters in respect of the Target Company: (a) inspection of financial matters; (b) supervision of directors and senior management in respect of compliance with laws and constitutional documents of the Target Company, etc.; (c) convening special shareholders' meetings when necessary; (d) initiation of legal proceedings against directors and senior management in accordance with the relevant PRC law if necessary.

General manager, chief financial controller and vice general managers

The Company shall be entitled to appoint the general manager, the chief financial controller and one vice general manager of the Target Company. Xingquan Capital shall be entitled to appoint one vice general manager of the Target Company. The general manager shall be responsible for the daily operation of the Target Company, whereas the chief financial controller shall manage the financial matters of the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC and is a wholly-owned subsidiary of the Company as at the date of this announcement. The Target Company is principally engaged in the business of providing loans to small to medium-sized enterprises and AFR in Beijing.

Set out below is the financial information of the Target Company:

	31 December 2018	31 December 2019	31 May 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)
Interest, guarantee and financing consultancy services income	116,917	107,913	50,307
Profit for the year/period	59,185	70,077	35,669
Net asset value	573,302	558,434	594,103
Total assets	648,865	687,628	668,331

The Company expects that, following the Deemed Disposal, the Group will continue to engage in the business of providing loans to small to medium-sized enterprises in Beijing through the Target Company.

INFORMATION ON THE COMPANY AND THE INVESTORS

The Company is an integrated financial services provider which provides one-stop financing services to small and medium enterprises, micro-enterprises as well as individuals.

Xingquan Capital is a company established under the laws of the PRC in 2018 with a registered capital of RMB300 million. It is principally engaged in the management of idle collective assets held by the collective economic entities in Wenquan Town, Haidian District in Beijing City of the PRC and the development and operation of a science centre in the PRC. It is held as to 17.62%, 16.63% and 8.13% by Wenquancun Economic Cooperative, Dongbutou Economic Cooperative and Yangjiazhuang Economic Cooperative, respectively, and as to 57.62% by four other economic cooperatives which are wholly-owned by the Wenquan Town local government in Haidian District Beijing, the PRC.

Each of the Economic Cooperatives is a collective enterprise established in the PRC in 1990 and wholly-owned by the Wenquan Town local government, and is principally engaged in collective assets management, collective resource development and utilization, agricultural production development and services and financial management. Wenquancun Economic Cooperative, Yangjiazhuang Economic Cooperative and Dongbutou Economic Cooperative have total assets of RMB1,120 million in aggregate.

REASONS FOR AND BENEFITS OF THE INVESTMENT AGREEMENT

The Company considers that having the Investors as its business partners would be beneficial to the Group's money lending business in Beijing via the Target Company, as the Investors have extensive experiences in providing assets management and other financial services and share the same ideology as the Group in terms of risk control and positioning in the financial services industry. Each of the Investors is ultimately owned by the Wenquan Town local government and is expected to benefit from the "capital-based town" development strategy proposed by the Wenquan Town local government aiming to set a new benchmark for the development of collective economy in Beijing and other areas in the PRC. Against the backdrop of such development strategy, it is expected that the Investors would be able to introduce money lending business to the Target Company and the Investors and the Company shall cooperate with each other to jointly develop the Target Company's money lending business in Beijing.

In the year ended 31 December 2019, the Target Company recorded total revenues of RMB107,913,000 and net profits of RMB70,077,000. As at 31 December 2019, the amount of total assets of the Target Company was RMB687,628,000. Immediately after completion of the Proposed Investment, the Target Company will have a total registered capital of RMB1,200 million, and it is expected that the Target Company will achieve higher profits and hence better return to the Company's investment in the business in Beijing as compared to the Target Company prior to the Proposed Investment.

The Directors consider that the terms of the Investment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DEEMED DISPOSAL

As at the date of this announcement, the Target Company is accounted for as a subsidiary of the Company in the consolidated financial statements of the Group. Immediately after the Deemed Disposal, as agreed by the auditors of the Company, the Target Company will remain a subsidiary of the Company given that the Company has the right to appoint and remove a majority of the board of directors of the Target Company. After taking into account the net asset value of the Target Company as at 31 December 2019 which amounted to approximately RMB558,434,000, the Deemed Disposal as a result of the Proposed Investment is estimated to have a surplus of approximately RMB15,079,000 to be recognized in equity in the consolidated financial statements of the Group prepared under the Hong Kong Financial Reporting Standards for the corresponding financial period. Shareholders should note that the actual amount of the surplus on the Deemed Disposal to be recognized in the equity in the consolidated financial statements of the Group depends on the net asset value of the Target Group attributable to the Company as at the date of completion of the Proposed Investment and therefore may be different from the amount mentioned above.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon completion of the Proposed Investment, the Investors will collectively hold 51% of the enlarged registered capital of the Target Company and the Company's equity interest in the Target Company will be reduced from 100% to 49%. Such dilution of the Company's equity interest in the Target Company will constitute a deemed disposal of the Company's equity interest in the Target Company under Chapter 14 of the Listing Rules.

As one or more the applicable percentage ratios (as defined under the Listing Rules) in respect of the Deemed Disposal exceed(s) 75%, the Deemed Disposal constitutes a very substantial disposal for the Company and is therefore subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

SGM

The SGM will be held and convened for the purpose of considering and, if thought fit, approving the Investment Agreement and the transactions contemplated thereunder.

CIRCULAR

A circular containing, among other things, (i) further details of the Investment Agreement and the transactions contemplated thereunder; (ii) financial information of the Target Company; (iii) pro-forma financial information of the Group; and (iv) a notice convening the SGM, will be despatched to the Shareholders on or before 9 July 2020.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares in the Company on the Stock Exchange was halted with effect from 9:00 a.m. on Wednesday, 17 June 2020. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares in the Company from 9:00 a.m. on Thursday, 18 June 2020.

WARNING

Completion of the Proposed Investment is subject to fulfilment of the conditions precedent as set out in the paragraph headed "Conditions" in this announcement. As the Proposed Investment may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

“AFR”	agriculture, farmers and rural areas or, as the case may be, individuals or organizations engaged in agricultural businesses and/or rural development activities, and/or residing in rural areas
“Board”	board of Directors
“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)
“Deemed Disposal”	deemed disposal of 51% equity interests in the Target Company by the Company as a result of dilution of the Company’s shareholding in the Target Company immediately following completion of the Proposed Investment
“Director(s)”	director(s) of the Company
“Dongbutou Economic Cooperative”	Beijing City Haidian District Wenquan Town Dongbutou Estate Economic Cooperative* 北京市海澱區溫泉鎮東埠頭村經濟合作社, a collective enterprise established in the PRC
“Economic Cooperatives”	Yangjiazhuang Economic Cooperative, Dongbutou Economic Cooperative and Wenquancun Economic Cooperative
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investors”	Xingquan Capital and the Economic Cooperatives

“Investment Agreement”	the investment agreement dated 16 June 2020 entered into by the Company and the Investors
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China, for the purpose of this announcement, does not include Hong Kong and Macau
“Proposed Investment”	proposed investment into the Target Company by the Company and the Investors by making capital contributions to the Target Company pursuant to the Investment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Shareholders to be convened to consider, and if thought fit, approving the Investment Agreement and the transactions contemplated thereunder
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	CFSH Urban Development (Beijing) Small Loan Co. Ltd. (北京中金城開小額貸款有限公司), a company incorporated in the PRC
“Wenquancun Economic Cooperative”	Beijing City Haidian District Wenquan Town Wenquan Estate Economic Cooperative* 北京市海澱區溫泉鎮聯社溫泉村經濟合作社, a collective enterprise established in the PRC

“Xingquan Capital”	Beijing Xingquan Capital Co., Ltd.* 北京興泉資本有限公司, a company incorporated in the PRC
“Yangjiazhuang Economic Cooperative”	Beijing City Haidian District Wenquan Yangjiazhuang Estate Economic Cooperative* 北京市海澱區溫泉楊莊村經濟合作社, a collection enterprise established in the PRC
“%”	per cent

* *the English names of the entities incorporate in the PRC are translation of their respective Chinese company names for the purpose of identification only*

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

Hong Kong, 17 June 2020

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Luo Rui (*Chief Executive Officer*)
Madam Guan Xue Ling
Dr. Cheung Chai Hong

Non-executive Directors:

Mr. Chan Yuk Ming (*Chairman*)
Mr. Cheung Siu Lam
Mr. Dong Yibing
Madam Huang Mei

Independent Non-executive Directors:

Mr. Chan Chun Keung
Mr. Chan Wing Fai
Dr. Zhang Xiao Jun
Madam Zhan Lili