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DISCLOSEABLE TRANSACTION IN RELATION TO DECUMULATOR CONTRACT

THE TRANSACTION

The Board wishes to announce that the Company, through KPI, a wholly-owned subsidiary of the Company, has entered into the Decumulator Contract with the Issuer on 26 September 2024 with a maximum notional amount of approximately HK\$3,825,000 (excluding transaction fees).

LISTING RULES IMPLICATIONS

As one or more than one of the applicable percentage ratios in relation to the Decumulator Contract calculated on an aggregated basis pursuant to Rule 14.07 of the Listing Rules exceeds 5% but all the applicable percentage ratios are less than 25%, the Decumulator Contract would constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules and hence is subject to the notification and announcement requirements set out under Rule 14.34 of the Listing Rules.

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MAJOR TERMS OF THE DECUMULATOR CONTRACT

The principal terms of the Decumulator Contract are set out below:

Trade date:	26 September 2024
Issuer:	Nomura
Effective Date:	27 September 2024
Underlying share:	Alibaba
Maximum notional amount:	31,980 Alibaba Shares, approximately HK\$3,825,000
Spot price:	HK\$99
Strike price:	HK\$119.59
Knock-out price:	HK\$94.05
Tenor:	12 months (246 trading days)
Settlement:	Bi-weekly basis
End of contract period:	29 September 2025

The maximum notional amount is determined based on the assumptions that (i) there is no occurrence of any Knock-out Event or early termination event during the contract period of the Decumulator Contract which would trigger early redemption of the Decumulator Contract; and (ii) the closing price of Alibaba Shares throughout the contract period is higher than the predetermined strike price, thereby requiring KPI to sell twice the specified number of Alibaba Shares throughout the contract period.

As at the date of this announcement, the Directors confirm that (i) except for the above-mentioned Decumulator Contract that remain outstanding, the Group does not have any outstanding equity decumulator contract; and (ii) the Group has sufficient number of Alibaba Shares to fulfil the Decumulator Contract.

INFORMATION OF THE DECUMULATOR CONTRACT

- Decumulator contract is non-guaranteed product, and the returns is linked to a single underlying share.
- The structure of the Decumulator Contract is to sell a specific number of the underlying share on each scheduled date at the strike price until the relevant contract is redeemed due to (i) the occurrence of any Knock-out Event (if applicable) or early termination event; or (ii) at maturity.
- The maximum risk exposure of the Company is the limitation of secondary market. The Group is required to hold the contract until maturity unless it is terminated as a result of the occurrence of a Knock-out Event or on the occurrence of an event of default or other circumstances specified in the contract. There is limited secondary market liquidity.

REASONS AND BENEFITS OF ENTERING INTO THE DECUMULATOR CONTRACT

The Group intends to gradually disposal of certain non-core financial assets to obtain additional liquidity and utilize the resulting sales proceedings for its core money lending business to generate revenue for the Group. Having considered the stock market conditions, the trading records of Alibaba Shares and the strike price which the Decumulator Contract will be launched at, the Company considers that by entering into of the Decumulator Contract, the Group will be able to generate a targeted income on the disposal of the Alibaba Shares held by the Group and maximize returns for the Company to fund its money lending business. The Company considers that the Decumulator Contract is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

To the best of the knowledge, information and belief of the Board and having made all reasonable enquiries, the counterparty financial institution of the Decumulator Contract and their ultimate beneficial owners are Independent Third Parties to the Company.

FINANCIAL EFFECT OF THE DECUMULATOR CONTRACT AND USE OF PROCEEDS

Given the amount of Alibaba Shares sold under the Decumulator Contract would depend on the closing price of Alibaba Shares on the Stock Exchange during the contract period and the occurrence of any Knock-out Event, the actual amount of gain or loss arising from the Decumulator Contract can only be determined upon audit after the Decumulator Contract has completed. For illustrative purpose, if the Decumulator Contract is completed at the maximum notional amount to maturity, i.e. the closing price of Alibaba Shares throughout the contract period is higher than the predetermined strike price, thereby requiring KPI to sell a total of 31,980 Alibaba Shares throughout the contract period, it is currently estimated that the Group will record a gain of approximately HK\$1,570,000 from the disposals, with the gain representing the difference between the maximum notional amount of HK\$3,825,000 under the Decumulator Contract and the book value of the asset of approximately HK\$2,255,000 as at 30 June 2024. Furthermore, in addition to the amount of Alibaba Shares to be sold, the actual gain or loss would also be affected by the book value of the Alibaba Shares at the time of their respective disposals throughout the contract period and the incidental transaction costs involved, and therefore would likely be different from the amount mentioned above.

As mentioned above, it is currently intended that the net proceeds from the disposal of Alibaba Shares under the Decumulator Contract will be used as general working capital of the Group towards its money lending business.

INFORMATION OF ALIBABA

Alibaba is a limited liability company incorporated in Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 9988) and on the New York Stock Exchange (NYSE: BABA). According to the public information available to the Board, Alibaba, through its subsidiaries, provides the technology infrastructure and marketing reach to help merchants, brands, retailers and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way, and Alibaba operates various business segments: (i) China commerce segment which engages in commerce retail and wholesale businesses in China, (ii) international commerce segment which engages in international commerce retail and wholesale businesses, (iii) local consumer services segment which engages in, among others, delivery platform, mobile digital map, online travel platform and restaurant and local services guide platform, (iv) Cainiao segment which engages in logistic services and supply chain management solutions, (v) Cloud segment which engages in the provision of cloud services and intelligent collaboration workplace and application development platform, (vi) Digital media and entertainment segment which engages in content distribution and provision of entertainment services, and (vii) Innovation initiative and others segments which engage in, among others, research program in cutting-edge technologies.

The following information is extracted from the public documents of Alibaba:

	For the twelve months ended 31 March	
	2024	2023
	<i>RMB Million</i>	<i>RMB Million</i>
Revenue	941,168	868,687
Profit before taxation and share of results of equity method investees	101,596	89,185
Profit after taxation	71,332	65,573

Based on the publicly available documents of Alibaba, the consolidated net asset of Alibaba as at 31 March 2024 was approximately RMB1,101,871 million.

INFORMATION OF THE COMPANY AND THE GROUP

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

INFORMATION OF THE ISSUER

The Issuer is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in asset management, investment advisory, financial analysis and merchant banking services. According to the public information available to the Board, the ultimate beneficial owner of the Issuer is Nomura Holdings, Inc., a company incorporated in Japan and listed on the Tokyo Stock Exchange (Stock Code: 8604).

IMPLICATIONS UNDER THE LISTING RULES

As one or more than one of the applicable percentage ratios in relation to the Decumulator Contract calculated on an aggregated basis pursuant to Rule 14.07 of the Listing Rules exceeds 5% but all the applicable percentage ratios are less than 25%, the Decumulator Contract would constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules and hence is subject to the notification and announcement requirements set out under Rule 14.34 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Alibaba”	Alibaba Group Holding Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 9988) and the New York Stock Exchange (NYSE: BABA)
“Alibaba Shares”	shares in the share capital of Alibaba listed on the main board of the Stock Exchange and traded in HK\$
“Board”	the 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 Main Board of the Stock Exchange
“Decumulator Contract”	the decumulator contract entered into between KPI and the Issuer on 26 September 2024
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	party(ies) who is/are independent of the Company and its connected person(s) (as defined in the Listing Rules)
“Issuer”	Nomura Singapore Limited
“Knock-out Event”	the closing price of the underlying listed share on any specified trading day during the contract period is equal to or below the predetermined knock-out price
“KPI”	K.P.I. Development Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“PRC”	People’s Republic of China, for the purpose of this announcement, does not include Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	the holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 26 September 2024

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

Executive Director

Mr. Zhang Min (*Chief Executive Officer*)

Non-executive Directors

Mr. Tao Chun

Independent non-executive Directors

Mr. John Paul Ribeiro

Mr. Zhang Kun

Mr. Chan Chun Keung

Mr. Lee Ka Wai

Madam Zhan Lili