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China Success Finance Group Holdings Limited

中國金融發展(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3623)

ALTERATIONS OF THE TERMS AND CONDITIONS OF THE CONVERTIBLE BOND

The Company, the Purchaser and the Obligors agree to amend the terms of the Subscription Agreement and the terms and conditions of the Convertible Bonds, which were issued on 1 February 2018.

According to the Amendments, *inter alia*, (i) the existing Convertible Bonds in the aggregate principal amount of HK\$154,000,000.00 with 70,000,000 Conversion Shares which may be allotted and issued upon the exercise of the Conversion Rights in full at the Conversion Price of HK\$2.20 per Share would be adjusted to an aggregate outstanding principal amount of HK\$84,000,000.00 with 77,064,200 Conversion Shares which may be allotted and issued upon the exercise of the Conversion Rights in full at the Adjusted Conversion Price of HK\$1.09 per Share, (ii) the Company shall repay to the Purchaser a partial principal amount of the Convertible Bonds of HK\$10,000,000.00 and (iii) the Company shall issue a HK\$60,000,000.00 6.0 per cent interest bearing Note to the Purchaser.

The Company shall seek the Stock Exchange's approval for the Amendments pursuant to Rules 16.03 and 28.05 of the Listing Rules and would utilise the 2018 General Mandate for the proposed allotment and issuance of the 77,064,200 Conversion Shares, upon receiving such approval and fulfilling the conditions precedent of the Amendments.

Reference is made to the announcement of the Company dated 25 January 2018 (the "Announcement") in respect of the proposed issuance of the Convertible Bonds under General Mandate and the announcement of the Company dated 1 February 2018

(the “**Completion Announcement**”). Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Announcement and the Completion Announcement.

INTRODUCTION

As disclosed in the Announcement, on 25 January 2018, the Company and the Purchaser, among others, entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and Purchaser conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$154,000,000.00 subject to the terms and conditions set out in the Subscription Agreement.

On 1 February 2018, as disclosed in the Completion Announcement, completion of the Subscription took place and a total of 70,000,000 Conversion Shares at a Conversion Price of HK\$2.20 per Share will be allotted and issued to the Purchaser upon the exercise of the Conversion Rights in full. The Convertible Shares were to be issued under the General Mandate granted by the Shareholders to the Board of the Company to issue Shares of not more than 20% of the then issued share capital of the Company at the annual general meeting of the Company held on 19 May 2017.

Pursuant to the Subscription Agreement and the existing terms and conditions of the Convertible Bonds, the Company undertakes to comply with, amongst others, the specific covenants to ensure that the Group shall continue to record consolidated net profit without taking into account the effect on the consolidated net profit caused by a change of the fair value for the Convertible Bonds for each interim period and financial year (the “**Profit Covenants**”). As disclosed in the interim results announcement of the Company dated 29 August 2018 and the interim report of the Company for the six months ended 30 June 2018, based on the unaudited consolidated accounts of the Group, the Group recorded a loss of approximately HK\$9.67 million for the six months ended 30 June 2018. As such, the Company failed to satisfy the Profit Covenants under the Subscription Agreement and the existing terms and conditions of the Convertible Bonds (the “**Breaches**”).

As at the date of this announcement, none of the Convertible Bonds has been redeemed and none of the Conversion Rights has been exercised by the Convertible Bondholder. The Convertible Bonds will mature on 31 January 2020, unless their maturity is extended in accordance with the terms and conditions of the Convertible Bonds.

AMENDMENTS UNDER THE SUPPLEMENTAL DEED

In view of the above, the Company, the Purchaser and the Obligors agree to amend the terms of the Subscription Agreement and the terms and conditions of the Convertible Bonds (the “**Amendments**”) by respectively entering into (a) a supplemental deed of amendment (the “**Supplemental Deed of Amendment**”), (b) a supplemental bond instrument (the “**Supplemental Bond Instrument**”) and (c) a note instrument (the “**Note Instrument**”), subject to, among others, the grant of approval of the Amendments by the Stock Exchange. Particularly, the principal terms of the Amendments are as follows:-

- (1) The Company shall repay to the Purchaser a partial principal amount of the Convertible Bonds of HK\$10,000,000.00 (including all accrued but unpaid interest and the corresponding Internal Rate of Return on such partial principal amount), exclusive of any bank charges or fees;
- (2) The Purchaser shall waive the Purchaser’s right of conversion on the Convertible Bonds in the principal amount of HK\$60,000,000.00 and such partial principal amount of the Convertible Bonds of HK\$60,000,000.00 shall remain as an indebtedness of the Company (since the date on which the Convertible Bonds were originally issued in accordance with the Subscription Agreement) in the form of a note, and for this purpose the Company shall issue a HK\$60,000,000.00 6.0 per cent interest bearing note (the “**Note**”) to the Purchaser;
- (3) Upon the completion of (1) and (2) above, the aggregate principal amount of the Convertible Bonds shall be adjusted to HK\$84,000,000.00 (the “**Adjusted Principal Amount**”);
- (4) The Conversion Price of the Convertible Bonds of HK\$2.20 per Share shall be adjusted to HK\$1.09 per Share (the “**Adjusted Conversion Price**”);
- (5) Based on the Adjusted Principal Amount and the Adjusted Conversion Price, the total number of Conversion Shares exercisable under the Convertible Bonds which may be allotted and issued upon the exercise of the Conversion Rights under the Convertible Bonds in full shall be adjusted from 70,000,000 Shares to 77,064,200 Shares;
- (6) In the event that the number of Conversion Shares to be issued upon the exercise of the Conversion Rights based on the Adjusted Conversion Price as adjusted in accordance with the terms and conditions of the Convertible Bonds exceeds the

number of Shares that are issuable under the 2018 General Mandate (as defined below) (the shortfall of such Conversion Shares shall be referred to as the “**Exceeded Conversion Shares**”), any rights attached to the principal amount of the Convertible Bonds attributable to the Exceeded Conversion Shares (including but not limited to the Conversion Rights) shall only cease on the date when the Company has paid in full to the relevant Convertible Bondholder(s) an amount in cash equal to the number of the Exceeded Conversion Shares multiplied by the closing price of the Shares on the conversion date (as if such Shares will be converted). Failure of the Company to pay in full such cash amount in respect of the Exceeded Conversion Shares on the relevant conversion date constitutes an event of default;

- (7) The Purchaser shall waive any default interest accrued up to (and including) the effective date of the Amendments and unpaid by the Company resulting from the Breaches;
- (8) All terms and conditions relating to the Profit Covenants in the Transaction Documents shall be removed and/or waived; and
- (9) The Company may, by service of prior written notice to the Convertible Bondholder, redeem, or (subject to all necessary internal and corporate approvals and checks of the Purchaser) designate a third party to purchase, the outstanding Convertible Bonds, in full or in part, at any time after the first anniversary of the Issue Date at an amount equal to the aggregate of:-
 - (i) The aggregate principal amount of all outstanding Convertible Bonds;
 - (ii) Any accrued but unpaid interest (including any default interest) and outstanding administrative fees on such outstanding Convertible Bonds; and
 - (iii) An amount that would yield an internal rate of return of twenty-six (26) per cent on the aggregate principal amount of such outstanding Convertible Bonds, in whole or in part, from the Issue Date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company.

The Amendments was determined after the Company’s arm’s length negotiations with the Purchaser, with reference to, among other things, the Company’s past performance, the prevailing market price of the Shares and the recent market conditions.

Pursuant to the Supplemental Deed of Amendment, the Amendments are subject to the satisfaction of conditions precedent including but not limited to: (a) the passing of resolutions of the Board and the board of directors of the Purchaser to approve the Amendments under the Supplemental Deed of Amendment; and (b) the Stock Exchange having approved the Amendments pursuant to the Listing Rules and if required, the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and the approval not having been subsequently revoked or cancelled.

The effective date of the Amendments shall be one Business Day after the date on which all conditions precedent under the Supplemental Deed of Amendment are fulfilled or waived. None of the conditions precedent has been fulfilled as at the date of this announcement.

Save for the Amendments under the Supplemental Deed of Amendment as disclosed above, all other principal terms and conditions under the Convertible Bonds remain unchanged. The Subscription Agreement, the Convertible Bonds and the Bond Certificate issued by the Company to the Purchaser on 1 February 2018 in respect of the Convertible Bonds will be read and construed and be enforceable as if the Amendments were inserted therein by way of addition or substitution, as the case may be.

In summary, according to the Amendments, (i) the existing Convertible Bonds in the aggregate principal amount of HK\$154,000,000.00 with 70,000,000 Conversion Shares which may be allotted and issued upon the exercise of the Conversion Rights in full at the Conversion Price of HK\$2.20 per Share would be adjusted to an aggregate outstanding principal amount of HK\$84,000,000.00 with 77,064,200 Conversion Shares which may be allotted and issued upon the exercise of the Conversion Rights in full at the Adjusted Conversion Price of HK\$1.09 per Share; (ii) the Company shall repay to the Purchaser a partial principal amount of the Convertible Bonds of HK\$10,000,000.00 and (iii) the Company shall issue a HK\$60,000,000.00 6.0 per cent interest bearing Note to the Purchaser.

The initial Adjusted Conversion Price of HK\$1.09 represents a premium of approximately 55.71% over the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Last Trading Day, a premium of approximately 51.39% over the average closing price of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day, of approximately HK\$0.72 per Share.

PERSONAL GUARANTEE

As disclosed in the Announcement, Mr. Zhang, the chairman, an executive director and a substantial shareholder of the Company, gave a personal guarantee (the “**Personal Guarantee**”) in favour of the Purchaser in respect of the obligations of other Obligors (including the Company) under the Transaction Documents. Based on the Amendments, Mr. Zhang’s personal guarantee shall extend to cover the Obligors’ obligations under the Supplemental Deed of Amendment, the Supplemental Bond Instrument and the Note Instrument.

Accordingly, the Personal Guarantee, which is a provision of financial assistance by Mr. Zhang to the Company, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Personal Guarantee was provided for the benefit of the Company on normal commercial terms or better and no security over assets of the Group is granted in respect of the Personal Guarantee, it is exempt from the reporting, announcement and independent Shareholders’ approval requirements under the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rules 16.03 and 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As the Amendments are alternations to terms of the Convertible Bonds that do not take effect automatically under the existing terms, the Company shall seek all necessary approval from the Stock Exchange accordingly.

The Company will have to allot and issue 77,064,200 Conversion Shares to the Purchaser based on the full conversion of the Convertible Bonds. The 77,064,200 Conversion Shares will be issued and allotted under the general mandate (the “**2018 General Mandate**”) granted to the Directors at the Company’s annual general meeting held on 18 May 2018 to issue, allot and deal with no more than 106,161,000 Shares.

As at the date of this announcement, the Company has not utilised the 2018 General Mandate at all. Therefore, the 2018 General Mandate is sufficient to cover the proposed allotment and issuance of the 77,064,200 Conversion Shares falling to be allotted and issued under the Amendments. As such, the allotment and issuance of the 77,064,200 Conversion Shares under the Amendments are not subject to Shareholders’ approval.

As disclosed in the Announcement, the Adjusted Conversion Price is subject to customary adjustment provisions triggered by the occurrence of adjusting event(s), if any. As such, the Company will monitor and ensure that the 2018 General Mandate is sufficient to cover the allotment and issue of all the Conversion Shares falling to be allotted and issued under the Amendments. The Company will adopt appropriate procedures to keep track of the number of Conversion Shares issued and issuable under the Transaction Documents and the Amendments.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the approval for the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued under the Amendments.

REASONS FOR THE AMENDMENTS

The Amendments are arrived at after arm's length negotiation between the Company and the Purchaser. In view of the Purchaser agreeing to waive the default interest accrued up to (and including) the effective date of the Amendments resulting from the Breaches, the Company, the Purchaser and the Obligors agree to the Amendments.

The Board considers that the terms and conditions of the Supplemental Deed of Amendment are fair and reasonable, and the Amendments are in the interests of the Company and the Shareholders as a whole.

By order of the Board
China Success Finance Group Holdings Limited
Li Bin
Chief Executive Officer and Executive Director

Hong Kong, 27 December 2018

As at the date of this announcement, the Board comprises (i) five executive directors, namely, Mr. Zhang Tiwei, Mr. Li Bin, Ms. Dai Jing, Mr. Xu Kaiying and Mr. Pang Haoquan, (ii) one non-executive director, namely, Mr. He Darong, and (iii) four independent non-executive directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur, Mr. Xu Yan and Mr. Zhou Xiaojiang.