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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)

FURTHER ALTERNATIONS OF THE TERMS AND CONDITIONS OF THE CONVERTIBLE BOND

On 23 September 2021 (after trading hours), the Company, the Purchaser and the Obligors entered into a Second Supplemental Deed of Amendment to further amend certain terms and conditions of the Convertible Bonds which were issued on 1 February 2018 and previously amended on 11 January 2019.

Pursuant to the amendments, *inter alia*,

- (1) the existing remaining Convertible Bonds in the aggregate principal amount of HK\$64,000,000.00, “**Remaining Bonds Balance**”, shall be converted at the Conversion Price of HK\$1.09 per Share and, upon the exercise of the Conversion Rights in full, 58,715,576 Conversion Shares may be allotted and issued;
- (2) the interest of the Convertible Bonds shall be increased from 6 per cent to 6.5 per cent per annum from (and including) 1 February 2020 to (and including) 31 January 2022 in respect of the then outstanding principal amount of the Convertible Bond; and
- (3) the maturity date of the Remaining Bonds Balance be extended from 31 January 2021 to 31 January 2022.

The Company shall seek the Stock Exchange’s approval for the Second Supplemental Amendments pursuant to Rule 28.05 of the Listing Rules and would utilize the 2021 General Mandate for the proposed allotment and issuance of the 58,715,576 Conversion Shares, upon receiving such approval and fulfilling the conditions precedent of the Second Supplemental Amendments.

Shareholders and potential investors should note that the Second Supplemental Deed of Amendment is conditional upon fulfilment of all conditions precedent therein. The Second Supplemental Amendments contemplated under the Second Supplemental Deed of Amendment may or may not materialize. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the Convertible Bonds Announcements in relation, to among others, the issue of the Convertible Bonds, previous amendments to the terms and conditions of the Convertible Bonds and the partial conversion of the Convertible Bonds. Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Convertible Bond Announcements.

Pursuant to the Convertible Bonds Terms and Conditions, the Company agreed to comply with, amongst others, the following specific covenants for so long as any Convertible Bonds remain outstanding:

- (1) the total net assets shall not be less than RMB800,000,000 (or its equivalent in any other currency) without taking into account the effect on the total net assets caused by a change of the fair value for the bonds;
- (2) the gearing ratio shall be not more than 40%;
- (3) to seek the Purchaser's prior written approval to extend the maturity date of the Convertible Bonds to no later than the third anniversary of the Issue Date by delivering a written notice to the Purchaser no later than three months prior to 31 January 2020 "**Original Maturity Date**"; and
- (4) to redeem all the outstanding Convertible Bonds held by the Purchaser on the Original Maturity Date and subsequently on 31 January 2021.

(Collectively referred as the "**Convertible Bonds Covenants**")

With respect to the Convertible Bonds Covenants, the Company committed the following breaches:

- (1) failed to maintain the total net assets at not less than RMB800,000,000 as shown by its 2019 Annual Report;
- (2) failed to maintain its gearing ratio at not more than 40 per cent as shown by its 2018 Annual Report, 2019 Interim Report and 2019 Annual Report;
- (3) failed to seek the Purchaser's prior written approval, by delivering a written notice to the Purchaser no later than three months prior to the Original Maturity Date, to extend the maturity date of the Convertible Bonds, from the Original Maturity Date to 31 January 2021 and subsequently further to 31 January 2022; and
- (4) failed to redeem all outstanding Convertible Bonds on the Original Maturity Date and subsequently on 31 January 2021.

(Collectively referred as the “**Covenants Breaches**”)

As at the date of this announcement, except from the Converted Shares, none of the Convertible Bonds has been redeemed and none of the Conversion Rights has been exercised by the Convertible Bondholder. The Convertible Bonds reached maturity on 31 January 2021 and the Company, the Purchaser and the Obligors agreed to further amend the Convertible Bonds Terms and Conditions and to extend the maturity of the Convertible Bonds to 31 January 2022 by entering into a Second Supplemental Deed of Amendment.

AMENDMENTS UNDER THE SECOND SUPPLEMENTAL DEED OF AMENDMENT

The Second Supplemental Amendments contemplated by the Second Supplemental Deed of Amendment are, subject to, among others, the grant of approval by the Stock Exchange and shall be effective on the Effective Date.

The Convertible Bonds Terms and Conditions and the Bond Certificates issued by the Company to the Purchaser on 1 February 2018 and 11 January 2019 in respect of the Convertible Bonds will be read and construed and be enforceable as if the Second Supplemental Amendments were inserted therein by way of addition or substitution, as the case may be.

More particularly, the principal terms of the Second Supplemental Amendments are as follows:

- (1) At any time before 30 December 2021 and for so long as any Convertible Bonds remain outstanding, in addition to the 110,000,000 shares already deposited in the CCBI Account as of the date of this announcement, Mr. Zhang shall and/or shall procure Expert Depot to deposit to the CCBI Account not less than 100,000,000 Shares which are free from Encumbrances;
- (2) At any time after (and including) 30 December 2021 and for so long as any of the Convertible Bonds remain outstanding, Mr. Zhang shall and/or shall procure Expert Depot to maintain not less than 210,000,000 Shares in aggregate in the CCBI Account which are free from Encumbrances;
- (3) For so long as any Convertible Bonds remain outstanding, the Company shall ensure that its total net assets is not less than RMB445,000,000 (or its equivalent in any other currency) at any time after (and including) 1 January 2020, without taking into account the effect on the total net assets caused by a change of the fair value of the Convertible Bonds;
- (4) For so long as any Convertible Bonds remain outstanding, the Company shall ensure that the gearing ratio is not more than 75 per cent at any time after (and including) 1 January 2020;
- (5) In respect of the outstanding principal amount of the Convertible Bonds from (and including) 1 February 2020 to (and including) 31 January 2022, the interest of the Convertible Bonds shall increase from 6 per cent to 6.5 per cent per annum, payable in accordance with the Convertible Bonds Terms and Conditions;
- (6) With effect from (and including) 1 February 2020, the internal rate of return with respect to maturity redemption by the Company shall be increased from 10% to 10.5% on the aggregate principal amount of the Convertible Bonds held by the Purchaser from the Issue Date until the date on which the entire outstanding amount of the redemption price has been fully paid by the Company to the Purchaser;

- (7) With effect from the Effective Date, the maturity date of the Remaining Bonds Balance shall be extended to 31 January 2022;
- (8) the Remaining Bonds Balance shall be converted at the Conversion Price of HK\$1.09 per Share and, upon the exercise of the Conversion Rights in full, 58,715,576 Conversion Shares may be allotted and issued;
- (9) the Purchaser agreed to waive, from the Effective Date, any default interest accrued up to (and including) the Effective Date and unpaid by the Company resulting from the Covenants Breaches, and
- (10) The cap for the costs, fees and expenses incurred by the Purchaser and to be borne by the Company for the negotiation, preparation and execution of the Second Supplemental Amendments documents of HK\$550,000.00 shall be deleted in its entirety.

Save for the Second Supplemental Amendments under the Second Supplemental Deed of Amendment as disclosed above, all other principal Convertible Bonds Terms and Conditions remain unchanged.

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

CONDITIONS PRECEDENT

Pursuant to the Second Supplemental Deed of Amendment, the Amendments are subject to the satisfaction of each of the following conditions precedent or otherwise waived by the Purchaser, one Business Day before, and excluding, the Effective Date:

1. a written approval having been granted by the Stock Exchange regarding the amendments to the original Bond Instrument as contemplated by the Second Supplemental Amendments;
2. the Purchaser having obtained and performed all necessary external, internal and corporate approvals and checks under all applicable Laws regarding the Second Supplemental Amendments, including but not limited to its investment committee approval, internal policy checks, anti-money laundering checks and know-your-client checks, and such approvals remaining valid and having not been revoked;
3. the Company having paid to the Purchaser, and the Purchaser having received, HK\$5,500,000.00, of administrative fee;
4. the Shares already deposited in the CCBI Account by Expert Depot and/or Mr Zhang as of the date of this announcement not having been withdrawn;
5. the Warranties remaining true, accurate and not misleading in each case in accordance with their terms;

6. the guarantee provided by the Personal Guarantor pursuant to the Subscription Agreement and the Personal Guarantee continues to be in full force and effect, and has not been withdrawn or revoked;
7. since the date of this Deed, there having been, in the opinion of the Purchaser, no Material Adverse Change;
8. the following documents, each in the form and substance satisfactory to the Purchaser, having been delivered by the Company to the Purchaser:
 - (a) a copy of the written approval granted by the Stock Exchange regarding the amendments to the original Bond Instrument as contemplated by the Second Supplemental Amendments;
 - (b) an original of the Second Supplemental Bond Instrument dated the Effective Date duly executed and delivered as a deed poll by the Company;
 - (c) an original of a duly executed certificate of each corporate Obligor dated the Effective Date;
 - (d) a copy of each of the resolutions of the board of directors of the Company and the resolutions of the director(s) and shareholder(s) of the corporate Obligors, certified as a true copy by a duly authorised signatory of the Company or such corporate Obligor:
 - (i) approving the terms of, the transactions contemplated by, and the execution and performance of the Second Supplemental Amendments documents to which it is a party and resolving that it executes and delivers the Second Supplemental Amendments documents to which it is a party;
 - (ii) authorising a specified person or persons to execute and deliver the Second Supplemental Amendments documents to which it is a party on its behalf; and
 - (iii) authorising a specified person or persons, on its behalf, to sign, execute, deliver and/or despatch all documents and notices to be signed, executed, delivered and/or despatched by it under or in connection with the Second Supplemental Amendments documents to which it is a party;

9. receipt by the Purchaser on the Effective Date of a legal opinion as to the laws of Hong Kong issued by the Purchaser's Hong Kong legal counsel and addressed to and in a form satisfactory to the Purchaser;
10. receipt by the Purchaser on the Effective Date of a legal opinion as to the laws of the Cayman Islands issued by the Purchaser's Cayman Islands legal counsel and addressed to and in a form satisfactory to the Purchaser;
11. receipt by the Purchaser on the Effective Date of legal opinion(s) as to the laws of the British Virgin Islands issued by the Purchaser's British Virgin Islands legal counsel and addressed to and in such form as satisfactory to the Purchaser; and
12. receipt by the legal advisers of the Purchaser of the fees and disbursements for the preparation and execution of the Second Supplemental Amendments documents.

The Conversion Price of HK\$1.09 per Share represents a premium of approximately 29.76% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on the date of the Second Supplemental Deed of Amendment and a premium of approximately 32.93% to the average closing price of HK\$0.82 per Share as quoted on the Stock Exchange for the last five trading days prior to the date of signing of the Second Supplemental Deed of Amendment.

PERSONAL GUARANTEE

Under the Second Supplemental Amendments, the Personal Guarantee previously given by Mr. Zhang under the Convertible Bonds Terms and Conditions in favour of the Purchaser, which includes and not limited to the punctual performance by the obligors of their obligations, continue to be in full force and effect on and after the Effective Date.

Accordingly, the Personal Guarantee, which is a provision of financial assistance by Mr. Zhang to the Company as the chairman, executive director and substantial shareholder of 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 is not secured by the assets of the Group, it is exempt from the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

INDEPENDENT THIRD PARTY

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 543,013,624 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the Conversion Rights (assuming that there will be no further changes in the total number of Shares in issue prior to such exercise and no adjustment to the Conversion Price) are as follows:

Shareholders	As at the date of this announcement <i>Number of shares</i>	As at the date of this announcement <i>% of shareholdings (Approximately)</i>	Immediately after the full exercise of the Conversion Rights <i>Number of shares</i>	Immediately after the full exercise of the Conversion Rights <i>% of shareholdings (Approximately)</i>
Expert Depot (<i>Notes 1 and 6</i>)	121,490,000	22.37%	121,490,000	20.19%
Mr. Zhang (<i>Note 6</i>)	1,638,000	0.30%	1,638,000	0.27%
Bliss Success (<i>Notes 2 and 6</i>)	63,750,000	11.74%	63,750,000	10.59%
Novel Heritage (<i>Notes 3 and 6</i>)	54,000,000	9.94%	54,000,000	8.97%
Insider Solution (<i>Notes 4 and 6</i>)	15,000,000	2.76%	15,000,000	2.49%
New Mastro Investments Limited (<i>Note 5</i>)	45,000,000	8.29%	45,000,000	7.48%
The Purchaser	18,348,624	3.38%	77,064,200	12.81%
Other public Shareholders	223,787,000	41.21%	223,787,000	37.19%
Total:	543,013,624	100%	601,729,200	100%

Certain percentage figures included in the above table have been subject to rounding adjustments.

Notes:

- 1 Expert Depot Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Zhang Tiewei, our chairman and an executive Director.
- 2 Bliss Success Investments Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Xu, an executive Director.
- 3 Novel Heritage Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Pang, an executive Director.
- 4 Insider Solution Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Chen.
- 5 New Maestro Investments Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. He Darong.
- 6 Pursuant to the Acting in Concert Confirmation, Mr. Zhang, Mr. Xu, Mr. Pang and Mr. Chen confirmed that they have been acting in concert, in exercising and implementing the management and operation of the Group, with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. They are deemed to be interested in 255,878,000 Shares, representing approximately 47.12% of the total issued share capital of the Company as at the date of this announcement, by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 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 Second Supplemental 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 58,715,576 Conversion Shares to the Purchaser upon the full conversion of the Convertible Bonds at the Conversion Price of HK\$1.09 per Share. The 58,715,576 Conversion Shares will be issued and allotted under the 2021 General Mandate.

As at the date of this announcement, the Company has not utilised the 2021 General Mandate at all. Therefore, the 2021 General Mandate is sufficient to cover the proposed allotment and issuance of the 58,715,576 Conversion Shares falling to be allotted and issued under the Second Supplemental Amendments. As such, the allotment and issuance of the 58,715,576 Conversion Shares under the Second Supplemental Amendments are not subject to Shareholders' approval.

REASONS FOR THE SECOND SUPPLEMENTAL AMENDMENTS

The Second Supplemental Amendments were arrived after arm's length negotiation between the Company and the Purchaser. In view of the Purchaser agreeing to waive the default interest incurred from Covenants Breaches accrued up to (and including) the Effective Date and the Second Supplemental Amendments will give the Company more flexibility on its use of working capital to fund its operation and/or business development, the Board considers that the terms and conditions of the Second Supplemental Deed of Amendment are fair and reasonable, and the Second Supplemental Amendments are in the interest of the Company and the Shareholders as a whole.

Shareholders and potential investors should note that the Second Supplemental Deed of Amendment is conditional upon fulfilment of all conditions precedent therein. The Second Supplemental Amendments contemplated under the Second Supplemental Deed of Amendment may or may not materialize. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Business Day”	a day on which commercial banks and foreign exchange markets settle payments in Hong Kong, excluding any day in Hong Kong on which a typhoon signal number 8 or above or a “black” rainstorm warning is hoisted
“Converted Shares”	the Convertible Bonds balance in the aggregate principal amount of HK\$20,000,000.00 that was converted into a total of 18,348,624 shares on 10 November 2020 and 28 January 2021
“Convertible Bonds Announcements”	Announcement of the Company (1) dated 25 January 2018 in respect of the proposed issuance of the Convertible Bonds; (2) dated 1 February 2018 in relation to the completion of the issuance of Convertible Bonds; (3) dated 27 December 2018 in relation to the alternations of the terms and conditions of the Convertible Bond; (4) dated 31 December 2018 in respect of additional information on the alternations of the terms and conditions of the Convertible Bond; (5) dated 11 January 2019 in relation to the completion of the alternations of the terms and conditions of the Convertible Bond; (6) dated 13 November 2020 in relation to the partial conversion of the Convertible Bond in the aggregate principal amount of HK\$10,000,000 at the conversion price of HK\$1.09 per Share; (7) dated 28 January 2021 in relation to the further partial conversion of the Convertible Bond in the aggregate principal amount of HK\$10,000,000 at the conversion price of HK\$1.09 per Share; and (8) dated 29 January 2021 in relation to further alteration of the terms and conditions of the Convertible Bonds
“Convertible Bonds Terms and Conditions”	the terms of the Subscription Agreement and the terms and conditions of the Convertible Bonds which were issued on 1 February 2018 and amended on 11 January 2019
“Corporate Entities”	Expert Depot Limited, Bliss Success Investments Limited, Novel Heritage Limited and Insider Solution Limited, with their respective entire issued share capital held by each of the parties to the Acting in Concert Confirmation respectively
“Effective Date”	the first Business Day after, and excluding, the date upon which the last of the conditions precedent under the Second Supplemental Deed of Amendment (save for such condition precedent which are required to be satisfied only on the Effective Date) are satisfied or otherwise waived by the Purchaser, or such other date as the Issuer and the Purchaser may agree in writing

“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect
“Second Supplemental Amendments”	the second amendments to the Convertible Bond Terms and Conditions under the Second Supplemental Deed of Amendment
“Second Supplemental Bond Instrument”	the second supplemental bond instrument executed by the Company to effect the Second Supplemental Amendments
“Second Supplemental Deed of Amendment”	the second supplemental deed of amendment of the Subscription Agreement entered into between the Company, the Purchaser and the Obligors to effect the Second Supplemental Amendments
“2018 Annual Report”	annual report for the year ended 31 December 2018
“2019 Annual Report”	annual report for the year ended 31 December 2019
“2019 Interim Report”	interim report for the six months ended 30 June 2019
“2018 General Mandate”	the general mandate from the Shareholders granted to the directors of the Issuer at the 2018 general meeting of the Issuer held on 18 May 2018, to issue, allot and otherwise deal in Shares not exceeding 20 per cent of the number of issued shares of the Company as at 18 May 2018
“2021 General Mandate”	the general mandate from the Shareholders granted to the directors of the Issuer at the 2021 general meeting of the Issuer held on 27 May 2021, to issue, allot and otherwise deal in Shares not exceeding 20 per cent of the number of issued shares of the Company as at 27 May 2021

By order of the Board
China Success Finance Group Holdings Limited
Zhang Tiewei
Chairman and Executive Director

Hong Kong, 24 September 2021

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