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(Stock Code: 431)

website: <http://www.irasia.com/listco/hk/greaterchina/index.htm>

## **SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

On 4 July 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, who is an Independent Third Party, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 452,810,000 Shares at the Subscription Price of HK\$0.270 per Share.

The Subscription Shares represent (i) 14.00% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 12.28% of the total enlarged issued share capital of the Company immediately following completion of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Subscription); and (iii) approximately 10.82% of the total enlarged issued share capital of the Company after the Conversion (as defined in the section headed “Effects of the Subscription”) and immediately following completion of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Subscription save and except for the Conversion). The Subscription Shares will be allotted and issued pursuant to the General Mandate. Therefore, the Subscription Agreement and the transactions contemplated thereunder are not subject to the approval by the Shareholders.

Subject to Completion, the gross proceeds from the Subscription will be approximately HK\$122.26 million. The net proceeds, after deducting all relevant costs and expenses, will be approximately HK\$121.5 million, representing a net Subscription Price of approximately HK\$0.268 per Share.

**Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

On 4 July 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, who is an Independent Third Party, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 452,810,000 Shares at the Subscription Price of HK\$0.270 per Share.

## **THE SUBSCRIPTION AGREEMENT**

### **Date:**

4 July 2016 (after trading hours)

### **Parties to the Subscription Agreement**

Issuer: the Company

Subscriber: Mr. Yang Dayong

### **Information on the Subscriber**

According to the information provided by the Subscriber, the Subscriber is an angel investor and a famous expert in financial technology. He is currently serving as chairman and chief executive officer of a famous financial services group in the PRC. He is holding a Doctoral degree in Economics from Renmin University of China and a Finance Executive Master of Business Administration degree from the PBC School of Finance at Tsinghua University.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber does not have any interests in any Shares.

### **The Subscription Shares**

The Subscription Shares represent (i) 14.00% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 12.28% of the total enlarged issued share capital of the Company immediately following completion of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Subscription); and (iii) approximately 10.82% of the total enlarged issued share capital of the Company after the Conversion (as defined in the section headed "Effects of the Subscription") and immediately following completion of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Subscription save and except for the Conversion). The aggregate nominal value of the Subscription Shares will be HK\$452,810.00. The Subscription Shares will be allotted and issued pursuant to the General Mandate. Therefore, the Subscription Agreement and the transactions contemplated thereunder are not subject to the approval by the Shareholders.

## **Subscription Price**

HK\$0.270 per Subscription Share, which was arrived at after arm's length negotiation among the Company and the Subscriber with reference to the market condition, the prevailing market price of the Shares and the average of the closing prices of approximately HK\$0.249 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately preceding the date of the Subscription Agreement.

The Subscription Price represents:

- (i) a discount of approximately 19.40% to the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on 4 July 2016, being the closing price on the date of the Subscription Agreement;
- (ii) a discount of approximately 19.16% to the average of the closing prices of HK\$0.334 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iii) a discount of approximately 1.10% to the average of the closing prices of HK\$0.273 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately preceding the date of the Subscription Agreement; and
- (iv) a premium of approximately 8.43% to the average of the closing prices of HK\$0.249 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately preceding the date of the Subscription Agreement.

The net Subscription Price, after deduction of related expenses, is expected to be approximately HK\$0.268 per Subscription Share.

## **The Consideration**

The Consideration is in the aggregate sum of approximately HK\$122.26 million which shall be satisfied by the Subscriber in cash on Completion.

## **General Mandate to issue the Subscription Shares**

The Subscription Shares will be allotted and issued pursuant to the General Mandate and is not subject to Shareholders' approval. The maximum number of Shares that can be issued under the General Mandate is 646,870,671 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of the Subscription Shares. No separate approval of Shareholders is required for the Subscription. The 452,810,000 Subscription Shares constitute approximately 70.00% of the General Mandate.

## **Ranking**

The Subscription Shares, when fully paid, will rank pari passu in all respects with the existing Shares in issue as at the date of issue of the Subscription Shares.

## **Application for listing**

Application will be made to the Stock Exchange for the grant of the listing of, and permission to deal in the Subscription Shares.

## **Conditions**

Completion of the Subscription Agreement shall be subject to and conditional upon the following:

- (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares; and
- (b) the Bermuda Monetary Authority and other governmental or regulatory authority granting approval for the issue and allotment of the Subscription Shares by the Company pursuant to this Agreement (if required).

None of the above conditions can be waived. If any of the conditions of the Subscription are not fulfilled on or before 31 December 2016, the Subscription Agreement shall be terminated automatically and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement except for those accrued prior to the termination.

## **Completion**

Completion of the Subscription Agreement shall take place on the fifth Business Day after the above conditions have been satisfied, or such other date as the Company and the Subscriber may agree in writing.

## EFFECTS OF THE SUBSCRIPTION

As at the date of this announcement, the Company has 3,234,353,355 Shares in issue and it has received conversion notices from holders of convertible notes of the Company (“**Noteholders**”) which will result in the issue of 498,990,258 new Shares by the Company (the “**Conversion**”). The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Subscription); and (iii) after the Conversion and immediately after completion of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Subscription save and except for the Conversion) are as follows:

	As at the date of this announcement		Immediately after completion of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Subscription)		After the conversion and immediately after completion of the Subscription (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement to the date of completion of the Subscription save and except for the conversion)	
	<i>Approximately</i>		<i>Approximately</i>		<i>Approximately</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Long Tu Limited ( <i>Note</i> )	538,500,000	16.65%	538,500,000	14.60%	538,500,000	12.86%
The Subscriber or his wholly-owned company	–	–	452,810,000	12.28%	452,810,000	10.82%
<i>Public Shareholders</i>						
Grand Wealth Asia Pacific Limited	292,072,235	9.03%	292,072,235	7.92%	292,072,235	6.98%
Noteholders	–	–	–	–	498,990,258	11.92%
Other public shareholders	2,403,781,120	74.32%	2,403,781,120	65.19%	2,403,781,120	57.42%
	<u>3,234,353,355</u>	<u>100.00%</u>	<u>3,687,163,355</u>	<u>100.00%</u>	<u>4,186,153,613</u>	<u>100.00%</u>

*Note:* Mr. Liu Kequan, an executive Director, holds 65.80% equity interest in Long Tu Limited. Accordingly, Mr. Liu is deemed to be interested in such 538,500,000 Shares held by Long Tu Limited.

## REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in (i) investment holding; (ii) industrial property development; (iii) general trading including trading of metal materials; and (iv) pawnshop business in Shanghai, the PRC.

Subject to Completion, the gross proceeds from the Subscription will be approximately HK\$122.26 million. The net proceeds, after deducting all relevant costs and expenses, will be approximately HK\$121.5 million, representing a net Subscription Price of approximately HK\$0.268 per Share. The Company intends to use the net proceeds from the Subscription for the development of factoring finance services and/or for such other investment opportunities which may be identified by the Company from time to time.

The Board considered that in view of the background and the ample experience of the Subscriber in the finance industry of the PRC, the Subscription is a good opportunity for the Company to introduce the Subscriber as a strategic Shareholder and to strengthen the capital base of the Company to raise additional funds to strengthen the financial position so as to facilitate its future development. Accordingly, the Board considers that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

## FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities during the 12 months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
1 October 2015	Rights issue on the basis of one (1) rights share for every two (2) Shares in issue and held on the record date at HK\$2.2 per rights share	HK\$464.4 million	<p>It was intended to apply the net proceeds from the rights issue as to:</p> <p>(i) approximately HK\$100.0 million to expand the scale and scope of the businesses of the Type 1 company and the Type 9 company;</p> <p>(ii) approximately HK\$100.0 million for the development of the money lending business in Hong Kong;</p> <p>(iii) approximately HK\$30.0 million for the development of other financial services related businesses in Hong Kong;</p> <p>(iv) approximately HK\$150.0 million for further investment in the financial leasing company and/or other medium to long term investments;</p> <p>(v) approximately HK\$50.0 million for repayment of bank loans; and</p> <p>(vi) the balance of approximately HK\$34.4 million for general working capital of the Group.</p>	<p>(i) approximately HK\$100 million will be used to expand the scale and scope of the businesses of the Type 1 company and the Type 9 company given the completion of the acquisition of the Type 1 company and the Type 9 company only took place in March 2016;</p> <p>(ii) approximately HK\$88 million has been utilized for money lending business;</p> <p>(iii) approximately HK\$4 million has been utilized for acquisition and development of insurance brokerage business;</p> <p>(iv) approximately HK\$140 million has been utilized for investment in securities for medium to long term purpose;</p> <p>(v) approximately HK\$6 million has been utilized for partial repayment of bank loans;</p> <p>(vi) approximately HK\$44 million will be used for repayment of bank loans;</p> <p>(vii) approximately HK\$25 million has been utilized as general working capital; and</p> <p>(viii) the other remaining unutilized balance of HK\$57.4 million is in the bank account of the Company and will be used as intended.</p>

**Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday, Sunday, public holiday and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.) on which banks are generally open for business in Hong Kong
“Company”	Greater China Financial Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the main board of the Stock Exchange (Stock Code: 431)
“Completion”	completion of the Subscription
“Completion Date”	the date of Completion
“Consideration”	approximately HK\$122.26 million, the consideration for the Subscription Shares
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company on 22 April 2016
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected person(s) (as defined in the Listing Rules) of the Company and is(are) independent of and not connected with the connected persons of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Shares”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Subscriber”	Mr. Yang Dayong (楊大勇), an Independent Third Party
“Subscription”	the subscription of the Subscription Shares by the Subscriber or his wholly-owned company in accordance with the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 4 July 2016 and entered into by the Company with the Subscriber, in relation to the Subscription
“Subscription Price”	HK\$0.270 per Subscription Share
“Subscription Share(s)”	a total of 452,810,000 new Shares to be issued by the Company to the Subscriber or his wholly-owned company upon completion of the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board of  
**Greater China Financial Holdings Limited**  
**Liu Kequan**  
*Chairman*

Hong Kong, 4 July 2016

*As at the date of this announcement, the Board comprises Mr. Liu Kequan as executive Director; Mr. Yin Xiaoguang as non-executive Director; and Mr. Jin Bingrong, Mr. Kwan Kei Chor, Dr. Rui Mingjie, Mr. Zhang Peidong and Mr. Zhou Liangyu as independent non-executive Directors.*