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INSIDE INFORMATION – LEGAL ACTIONS TAKEN AGAINST SHANGHAI KUAILU

This announcement is made by Greater China Financial Holdings Limited (“**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 22 July 2016 (“**Announcement**”) in relation to the legal actions to be taken against Shanghai Kuailu. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise stated.

Further to the Announcement, the Board would like to provide more information about the legal actions taken by the Company against Shanghai Kuailu.

LEGAL ACTIONS TAKEN AGAINST SHANGHAI KUAILU

On 18 August 2016, the legal advisers of the Company in the PRC received three notices of acceptance of the three applications for arbitration to the Shanghai Arbitration Commission (上海仲裁委員會) for and on behalf of Yousheng and 上海竣凝投資諮詢有限公司 (Shanghai Junning Investment Consulting Company Limited*) (“**Shanghai Junning**”), both being wholly-owned subsidiaries of the Company against Xinsheng, Shanghai Kuailu and Zhongyuan. Details of the three applications for arbitration are set out as follows:–

(1) Application for arbitration (“Xinsheng Call Option Claim”) for enforcement of exclusive call option agreement (獨家購買期權協議) and authorization agreement (授權委託協議) in relation to Xinsheng

- Basis of the claim:
- (a) Shanghai Kuailu failed to transfer its equity interests in Xinsheng to the entities designated by the wholly-owned subsidiary of the Company in accordance with the terms of exclusive call option agreement (獨家購買期權協議) dated 30 September 2014 as amended by its supplemental agreement on 20 November 2014 and its second supplemental agreement on 22 December 2014 (“**Xinsheng Call Option Agreement**”); and

- (b) Shanghai Kuailu failed to cooperate with the wholly-owned subsidiary of the Company for exercise of the shareholder's rights of Xinsheng pursuant to the terms of the authorization agreement dated 30 September 2014 and its supplemental agreement on 20 November 2014 (“**Xinsheng Authorization Agreement**”).

(2) Application for arbitration (“Xinsheng Consulting Claim”) for enforcement of exclusive consulting service agreement (獨家管理顧問服務協議) and equity pledge agreement (股權質押合同) in relation to Xinsheng

Basis of the claim:

- (a) Xinsheng failed to employ personnel nominated by the wholly-owned subsidiary of the Company and did not pass the corporate seal, finance seal and other corporate documents of Xinsheng to the designated personnel appointed by the wholly-owned subsidiary of the Company in their custody pursuant to the exclusive consulting service agreement (獨家管理顧問服務協議) dated 30 September 2014 as amended by its supplemental agreement on 20 November 2014 and its second supplemental agreement on 22 December 2014 (“**Xinsheng Exclusive Consulting Service Agreement**”); and
- (b) Shanghai Kuailu failed to register the equity pledge pursuant to the equity pledge agreement (股權質押合同) dated 30 September 2014 and its supplemental agreement on 20 November 2014 (“**Xinsheng Equity Pledge Agreement**”).

(3) Application for arbitration (“Zhongyuan Consulting Claim”) for enforcement of exclusive consulting service agreement (獨家管理顧問服務協議) in relation to 上海中源典當有限公司 (Shanghai Zhongyuan Pawnshop Company Limited*) (“Zhongyuan”)

Basis of the claim:

Zhongyuan failed to employ personnel nominated by the wholly-owned subsidiary of the Company and did not pass the corporate seal, finance seal and other corporate documents of Zhongyuan to the designated personnel appointed by the wholly-owned subsidiary of the Company in their custody pursuant to the exclusive consulting service agreement (獨家管理顧問服務協議) dated 8 September 2015 (“**Zhongyuan Exclusive Consulting Service Agreement**”).

The relief sought in the three applications for arbitration are enforcement of the exclusive call option agreement, authorization agreement, exclusive consulting service agreement and equity pledge agreement under the VIE Contracts in relation to Xinsheng and Zhongyuan.

As set out in the announcement of the Company dated 12 August 2016, given the current situation of Xinsheng and Zhongyuan, the accounts of Xinsheng and Zhongyuan would be de-consolidated from the consolidated financial statements for the six months ended 30 June 2016 of the Company and its subsidiaries. The Company will make further announcement(s) to update the public and its investors of any significant development in relation to the arbitration claims.

Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 18 August 2016

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