

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



Flying Financial Service Holdings Limited

匯聯金融服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8030)

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Financial Adviser



中州國際融資有限公司
Central China International Capital Limited

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

After trading hours on 14 July 2016, the Company entered into the Subscription Agreement with the Investor, whose ultimate beneficial owners are Independent Third Parties, and Mr. Zheng, the chairman, an executive Director and a substantial shareholder of the Company, pursuant to which the Company has conditionally agreed to issue, and the Investor has conditionally agreed to subscribe for (or to procure its nominee to subscribe for), the Convertible Bonds in the aggregate principal amount of HK\$100,000,000, subject to the terms and conditions of the Subscription Agreement. Mr. Zheng joined as a party to the Subscription Agreement as guarantor to guarantee the performance of the obligations of the Obligors under the Transaction Documents. Pursuant to the Subscription Agreement, Mr. Zheng shall execute the Deed of Guarantee to guarantee the punctual performance and observance by the Obligors of their obligations under the Transaction Documents in favour of the Investor, on or prior to Completion.

The Bondholders will be entitled to convert the whole or any part of the Convertible Bonds into Conversion Shares at the initial Conversion Price, being HK\$1.01 (subject to adjustments) during the Conversion Period. Assuming the Conversion Rights are exercised in full at the initial Conversion Price, a maximum of 99,009,900 Conversion Shares will be allotted and issued, representing approximately 5.72% of the entire issued share capital of the Company as at the date of this announcement and approximately 5.41% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company from the date of this announcement and until the full conversion of the Convertible Bonds at the initial Conversion Price).

The Conversion Shares will be issued under the General Mandate and no additional approval for the allotment and issue of the Conversion Shares from the Shareholders is required.

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$100,000,000 and approximately HK\$99,500,000 respectively. The Company intends to apply the net proceeds from the Subscription to the Group's finance lease business and/or investment in potential property development projects.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company shall apply to the Stock Exchange for the granting of the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Convertible Rights.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, Mr. Zheng is the chairman, an executive Director and a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Guarantee, which is a provision of financial assistance by Mr. Zheng to the Company, constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the Guarantee is provided for the benefit of the Company on normal commercial terms or better and no security over the assets of the Group is granted in respect of the Guarantee, pursuant to Rule 20.88 of the GEM Listing Rules, the Guarantee is exempted from the notification, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

As the Subscription Agreement may or may not complete, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that after trading hours on 14 July 2016, the Company, the Investor and Mr. Zheng entered into the Subscription Agreement in relation to the Subscription, the principal terms of which are summarised below.

THE SUBSCRIPTION AGREEMENT

Date

14 July 2016

Parties

Issuer : The Company

Investor : Central China International Investment Company Limited, a company incorporated in Hong Kong with limited liability and is principally engaged in provision of personal loans, company loans and bond investments.

Guarantor : Mr. Zheng

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owners are Independent Third Parties.

Mr. Zheng is the chairman, an executive Director and a substantial shareholder of the Company. Therefore, Mr. Zheng is a connected person of the Company. Mr. Zheng joined as a party to the Subscription Agreement as guarantor to guarantee the performance of the obligations of the Obligors under the Transaction Documents. Pursuant to the Subscription Agreement, Mr. Zheng shall execute the Deed of Guarantee to and guarantee the punctual performance and observance by the Obligors of their obligations under the Transaction Documents in favour of the Investor, on or prior to Completion.

Subject matter of the Subscription Agreement

The Company has conditionally agreed to issue, and the Investor has conditionally agreed to subscribe for (or to procure its nominee to subscribe for), the Convertible Bonds in the aggregate principal amount of HK\$100,000,000.

Conditions Precedent

Completion of the subscription of the Convertible Bonds shall be conditional upon the following conditions precedent being satisfied (or, if applicable, waived):

- (1) the Company having published this announcement;
- (2) the Company having delivered to the Investor an original or a copy certified as true by a Director or the registered agent of the Company of a certificate of incumbency and certificate of good standing of the Company issued by its registered agent on a date not earlier than one week prior to the Completion Date;
- (3) the Obligor Warranties shall be true and correct and complete in all material respects and not misleading in any material respect as of the date of the Subscription Agreement and the Completion Date when taking into account the facts and circumstances subsisting on the Completion Date;

- (4) each of the Obligors shall have performed and complied with in all material respects all agreements, obligations and conditions contained in the Subscription Agreement and the other Transaction Documents that are required to be performed or complied with by it/him on or before the Completion Date;
- (5) the Company having delivered to the Investor a certified true copy of the resolutions passed at a duly convened meeting of the Board and/or a committee of the Board or a certified true copy of extract of relevant Board's meeting minutes and/or Board committee's meeting minutes or a certified true copy of the written resolutions duly passed by the Directors, documenting that the Board has approved, confirmed, ratified and/or authorised: (a) the execution of the Subscription Agreement and the consummation of the transactions contemplated thereunder by the Company at the Completion; (b) the execution of the bond certificate in respect of the Convertible Bonds; (c) the creation and issue of the Convertible Bonds to the Investor in accordance with the Subscription Agreement; (d) the issue of all Conversion Shares that would be required to be issued upon conversion of the Convertible Bonds pursuant to the Bond Conditions; (e) the name of the Investor (or its nominee) to be entered into the bond register of the Company as holder of the Convertible Bonds so issued, and the sealing of certificates in respect of them; and (f) the performance by the Company of its other obligations under the Subscription Agreement, the Bond Conditions and any other documents and agreements the execution of which is contemplated thereunder;
- (6) the Company having delivered to the Investor (or its nominee) on or prior to the Completion: (a) an original of the Subscription Agreement duly executed by the Company and the Guarantor; (b) an original of the Deed of Guarantee duly executed by the Guarantor; and (c) an original of the bond certificate in respect of the Convertible Bonds duly executed by the Company;
- (7) (a) the approval from the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which fall to be issued upon conversion of the Convertible Bonds having been obtained; (b) the General Mandate not having been revoked as at the Completion Date; and (c) if applicable, all approval, authorisation, consent or permission that is required of the Company for the transactions contemplated under the Subscription Agreement having been obtained;
- (8) there shall have been no Material Adverse Effect since the date of the Subscription Agreement; and
- (9) the Company having delivered to the Investor a copy of the personal identification document or passport of the Guarantor certified as true to the original by a lawyer.

The Investor may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the Conditions Precedent (1), (2), (3), (4), (5), (6), (8) and (9) above. The Condition Precedent (7) above is not capable of being waived by the parties to the Subscription Agreement.

If any of the Conditions Precedent is not satisfied or (as the case may be) waived by the Investor on or before the Long Stop Date, the Subscription Agreement shall terminate and the parties shall be released and discharged from their respective obligations relating to the Convertible Bonds, as the case may be, to be issued and subscribed on that date and the parties shall be released and discharged from their respective obligations under the Subscription Agreement with respect to the issue and subscription of the Convertible Bonds, as the case may be.

Undertakings to the Investor

Pursuant to the Subscription Agreement, so long as any part of the Convertible Bonds remains outstanding, Mr. Zheng shall ensure at all times that:

- (1) he shall remain as the chairman of the Board; and
- (2) he shall remain to be the substantial shareholder of the Company, and directly or indirectly being the single largest Shareholder holding at least 20.00% of all outstanding Shares.

Guarantee

Pursuant to the Subscription Agreement, Mr. Zheng shall execute the Deed of Guarantee to guarantee the punctual performance and observance by the Obligors of their obligations under the Transaction Documents in favour of the Investor, on or prior to Completion.

Pursuant to the Deed of Guarantee, Mr. Zheng shall, among other things, covenant to the Investor that for so long as any Convertible Bond remains outstanding, he shall, among others:

- (1) not directly or indirectly dispose of any Shares, save and except the disposal of all or any part of 20,000,000 Shares pursuant to the existing security already created by him;
- (2) use his best endeavours to directly and indirectly support the business operations of the Company;
- (3) use his best endeavours to procure that the articles of association of the Company shall not be amended in a manner that is, directly or indirectly, materially adverse to the interests of the Investor;
- (4) (a) use his best endeavours to cause the Company to remain in full compliance with the Transaction Documents and all applicable laws; (b) promptly take any and all action necessary to comply with his obligations under the Deed of Guarantee; and (c) use his endeavours to cause the Company to take all action necessary in a timely manner to comply with its obligations under the Transaction Documents; and
- (5) so far as permitted by applicable laws and regulations and applicable GEM Listing Rules, give the Investor such information as it requires and considers necessary to perform and discharge its functions under the Transaction Document.

Completion

Completion shall take place on the date which is the third Business Day following the fulfilment of the Conditions Precedent or waiver thereof (as the case may be) or such other date as the Company and the Investor shall agree in writing.

On the Completion Date, the Company shall issue to the Investor (or its nominee) the Convertible Bonds and the Investor shall make or procure the making of payment for the aggregate principal amount of the Convertible Bonds.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised as follows:

- Issuer** : The Company
- Principal amount** : HK\$100,000,000.
- Issue price** : HK\$100,000,000, representing 100% of the aggregate principal amount of the Convertible Bonds.
- Interest** : The Convertible Bonds shall bear interest from and including the Issue Date at the rate of 7.0 per cent per annum payable quarterly on 30 September, 30 December, 30 March and 30 June in each year after the Issue Date with the last payment of interest to be made on the Maturity Date.
- Default interests** : If the Company fails to pay any sum in respect of the Convertible Bonds when the same becomes due and payable under the Bond Conditions, interest shall accrue on the overdue sum at the rate of 15% per annum over the outstanding principal amount of the Convertible Bonds from the due date up to (and including) the date of full payment of the overdue amount by the Company. For so long as the default continues, the relevant rate of interest shall be re-determined by the Investor on the same basis thereafter and shall be compounded at such intervals as determined by the Investor.

For the avoidance of doubt, such default interest shall be paid in addition to the Additional Amount (as defined below) and the receipt of or claim for such default interest shall not prejudice the right of the Bondholder to redeem the Convertible Bonds and to receive the Additional Amount.

“Additional Amount” means, with respect to any outstanding Convertible Bonds as of any date of redemption, including the Maturity Date, a Tax Redemption Date (as defined in the sub-section headed “Redemption for taxation reasons” below), or a Relevant Event Put Date (as defined in the sub-section headed “Redemption on Relevant Event” below) or a date of redemption upon occurrence of an event of default as specified by the Bondholder or the Company (as the case may be) in such notice(s) relating to redemption of the Convertible Bonds (**“Date of Determination”**), an amount representing the remainder of (A) a premium (for the avoidance of doubt, inclusive of all interest accrued on or prior to the Date of Determination) calculated at an interest rate of 15% per annum calculated on the outstanding principal amount thereof (or, in the case of partial redemption, such part of the outstanding principal amounts thereof to be redeemed) for the period from and including the Issue Date to but excluding such Date of Determination, minus (B) all interest paid thereon on or prior to such Date of Determination.

Maturity date : The date falling on the Final Maturity Date or the Early Maturity Date.

The Final Maturity Date may be advanced to the Early Maturity Date at the sole discretion of the Bondholder by giving notice in writing to the Company at least fifteen calendar days prior to the Early Maturity Date.

Conversion Rights : Subject to the Bond Conditions, the Bondholder shall be entitled to the right to convert the Convertible Bonds in whole amounts or multiples of units of principal amount of the Convertible Bonds of HK\$1,000,000 into Shares credited as fully paid at any time during the Conversion Period, save that if at any time, the outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.

The Bondholders shall not have the right to convert the whole or part of the principal amount of the Convertible Bonds to the extent that following and as a result of such conversion, the sufficient public float of the Shares as prescribed under the GEM Listing Rules cannot be maintained.

Fractions of Shares will not be issued on exercise of a Conversion Right and no cash payment or other adjustment will be made in respect thereof.

- Conversion Period** : (i) At any time after six months from the Issue Date to 5:00 p.m. (Hong Kong time) on the Business Day immediately before the Maturity Date; or
- (ii) if the Convertible Bonds shall have been called for redemption before the Maturity Date, then up to and including 5:00 p.m. (Hong Kong time) on the Business Day immediately prior to the relevant date of redemption.

Conversion Price : The price at which Conversion Shares will be issued upon conversion will initially be HK\$1.01 per Conversion Share, subject to adjustment in the sub-section headed “Adjustment events” below.

The initial Conversion Price of HK\$1.01 per Conversion Share represents:

- (i) a discount of approximately 8.18% to the closing price of HK\$1.1 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 4.0% to the average closing price of HK\$1.052 per Share as quoted on the Stock Exchange for the five consecutive trading days preceding the Last Trading Day.

The initial Conversion Price was determined after arm’s length negotiations between the Company and the Investor with reference to the prevailing market price of the Shares. The Directors consider the Conversion Price is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Conversion Shares : Based on the initial Conversion Price of HK\$1.01, a maximum number of 99,009,900 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full, which represent:

- (i) approximately 5.72% of the total issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 5.41% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company from the date of this announcement and until the full conversion of the Convertible Bonds at the initial Conversion Price).

Based on the initial Conversion Price of HK\$1.01, the maximum aggregate nominal value of the Conversion Shares is HK\$9,900,990. Assuming the Convertible Rights are exercised in full at the initial Conversion Price, the net subscription price for each Conversion Share is approximately HK\$1.00.

Pursuant to the terms of the Convertible Bonds, in the event that the number of Conversion Shares fall to be issued upon the exercise of the Conversion Rights based on the Conversion Price as adjusted in accordance with the Bond Conditions (including as a result of the adjustment events as mentioned in the sub-section headed “Adjustment events” below) exceeds 100,000,000 Shares (the exceeded number of Conversion Shares shall be referred to as “**Exceeded Conversion Shares**”), no Conversion Rights shall attach to the outstanding principal amount of the Convertible Bonds attributable to the Exceeded Conversion Shares (“**Unconverted Amount**”) (which shall be calculated by multiplying the number of Exceeded Conversion Shares with the Conversion Price in effect on the relevant conversion date), and the Unconverted Amount shall be redeemed by the Bondholder in accordance with the Bond Conditions.

**Revival and/
or survival
after default**

: Notwithstanding the right to convert the Convertible Bonds during the Conversion Period, if

- (i) the Company shall default in making payment in full in respect of any Convertible Bond which shall have been called for redemption on the date fixed for redemption thereof,
- (ii) any Convertible Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any Relevant Event (as defined in the sub-section headed “Redemption on Relevant Event” below), or
- (iii) any Convertible Bond is not redeemed on the Maturity Date,

the Conversion Right attaching to such Convertible Bond will revive and/or will continue to be exercisable up to, and including, the close of business on the date upon which the full amount of the moneys payable in respect of such Convertible Bond has been duly received by the relevant Bondholder and notwithstanding the right to convert the Convertible Bonds during the Conversion Period, any Convertible Bond in respect of which the certificate and conversion notice are deposited for conversion prior to such date shall be converted on the relevant conversion date notwithstanding that the full amount of the moneys payable in respect of such Convertible Bond shall have been received by the relevant Bondholder before such conversion date or that the Conversion Period may have expired before such conversion date.

- Adjustment events** : The Conversion Price shall from time to time be subject to adjustment upon the occurrence of the following events:
- (i) consolidation, reclassification or subdivision in relation to the Shares;
 - (ii) issue of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) including Shares paid out of distributable profits or reserves and/or share premium account or capital redemption reserve (except any scrip dividend) and which would not have constituted a distribution under paragraph (iii) below;
 - (iii) any capital distribution to the Shareholders;
 - (iv) issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares or any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Shares (or shall grant any such rights in respect of existing securities so issued), in each case at a price per Share which is less than the Current Market Price (as defined below) per Share on the date of the first public announcement of the terms of such issue or grant;
 - (v) issue of securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
 - (vi) issue (otherwise than as mentioned in paragraph (iv) or (v) above) any Shares (other than the Shares issued on the exercise of the Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, or purchase of the Shares) or issue or grant (otherwise than as mentioned in paragraph (iv) or (v) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares (other than the Convertible Bonds), in each case at a price per Share which is less than the Current Market Price per Share on the date of the first public announcement of the terms of such issue or grant;

- (vii) the Company or any of its subsidiaries (otherwise than as mentioned in paragraph (vi), (v) or (vi) above), or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity shall issue any securities (other than the Convertible Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Shares (or shall grant any such rights in respect of existing securities so issued) or securities which by their terms might be redesignated as Shares, and the consideration per Share receivable upon conversion, exchange, subscription or redesignation is less than the Current Market Price per Share on the date of the first public announcement of the terms of issue of such securities (or the terms of such grant);
- (viii) any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Convertible Bonds) as are mentioned in paragraph (vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Share receivable has been reduced and is less than the Current Market Price per Share on the date of the first public announcement of the proposals for such modification; and
- (ix) the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity shall offer any securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (ii) to paragraph (vi) above (or, where applicable, would fall to be so adjusted if the relevant issue or grant was at less than the Current Market Price per Share on the relevant trading day)).

“Current Market Price” means, in respect of a Share on a particular date, the average of the closing prices for one Share (being a Share carrying a full entitlement to dividends) for the 15 consecutive trading days ending on and including the trading day immediately preceding such date.

Redemption at maturity : Unless previously redeemed, converted or purchased and cancelled as provided in the Bond Conditions, the Company will redeem each Convertible Bond at its principal amount together with accrued and unpaid interest thereon and, where none of the Convertible Bonds have been previously converted, the Additional Amount, on the Maturity Date.

Redemption for taxation reasons : The Company may, having given not less than 30 nor more than 60 days' notice to the Bondholders redeem all but not some only of the Convertible Bonds for the time being outstanding on the date ("**Tax Redemption Date**") specified in such notice at their principal amount, together with the Additional Amount, if:

- (i) the Company satisfies the Bondholders immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts (as defined below) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and
- (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts were a payment in respect of the Convertible Bonds then due.

"Additional Tax Amounts" means, in the event that deduction or withholding of taxes, duties, assessments or governmental charges is compelled by law, such additional amounts that will be paid by the Company as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required.

Redemption on Relevant Event : Following the occurrence of a Relevant Event (as defined below), any Bondholder will have the right at its option to require the Company to redeem such Bondholder’s Convertible Bonds in whole on the Relevant Event Put Date (as defined below) at its principal amount, together with the Additional Amount.

A “*Relevant Event*” occurs when (i) Mr. Zheng and his related persons (as defined in the Bond Conditions) together with any voting rights controlled directly or indirectly by them, including through any voting consent agreement, cease to be the single largest holder, directly or indirectly, of the voting rights in the Company or (ii) Mr. Zheng ceases to be a Director and the chairman of the Board, whichever is the earlier; (iii) the Shares cease to be traded on the Stock Exchange or, if applicable, the Alternative Stock Exchange; or (iv) trading in the Shares is suspended for more than 15 consecutive days on which normal trading of securities is carried out.

“*Alternative Stock Exchange*” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

“*Relevant Event Put Date*” shall be the fifth Business Day after the expiry of the period with reference to the later of (i) the period commencing on the occurrence of a Relevant Event and ending 10 calendar days following the Relevant Event or (ii) a period of 10 calendar days following either (a) the date on which a Relevant Event exercise notice is given to the Bondholders or (b) if the Company fails to deliver such notice, the date on which the Majority Bondholders notify the Company in writing that a Relevant Event has occurred.

Negative pledge : The Company will not create, or have outstanding, any encumbrance upon the whole or any part of the Group’s present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Convertible Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an resolution passed by the Majority Bondholders.

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market (whether or not initially distributed by way of private placement).

Transferability : The Convertible Bonds may be transferred by the Bondholder(s) in whole amounts or multiples of units of principal amount of the Convertible Bonds of HK\$1,000,000 to any third party which is not a connected person of the Company at such parties own costs and subject to the compliance with (i) the Bond Conditions; (ii) the GEM Listing Rules; (iii) all applicable laws and regulations; and (iv) the requirements (if any) that the Stock Exchange may impose from time to time.

Ranking : The Convertible Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and will at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and subject to the negative pledge as described in the subsection headed “Negative pledge” above, at all times rank at least equally with all of the Company’s other present and future direct, unsubordinated, unconditional and unsecured obligations.

The Conversion Shares issued upon exercise of the Conversion Rights will be fully-paid and in all respects rank *pari passu* with the fully-paid Shares in issue on the relevant Registration Date (as defined below) and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

“**Registration Date**” means the date that the relevant holder of the Conversion Shares is registered as such in the Company’s register of members.

APPLICATION FOR LISTING

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company shall apply to the Stock Exchange for the granting of the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Convertible Rights.

REASONS FOR AND BENEFITS OF THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in investment in property development projects, operation of financial services platform, provision of financial consultation services, finance lease services and entrusted loan and pawn loan services in the PRC.

The Investor is a company incorporated in Hong Kong and is principally engaged in provision of personal loans, company loans and bond investments.

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$100,000,000 and approximately HK\$99,500,000 respectively. The Company intends to apply the net proceeds from the Subscription to the Group’s finance lease business and/or investment in potential property development projects.

The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since (i) they will not have an immediate dilution effect on the shareholding of existing Shareholders; and (ii) if the Conversion Rights are exercised, the shareholder base of the Company will be enlarged and the financial position of the Group will be improved for establishing and strengthening the existing and future business of the Group. The Board considers that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 16 May 2016. Under the General Mandate, the Company is authorised to issue up to 306,166,500 new Shares until the revocation, variation or expiration of the General Mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the entering into of the Subscription Agreement.

Based on the initial Conversion Price of HK\$1.01 per Conversion Share, up to 99,009,900 new Shares will be allotted and issued under the General Mandate upon the full conversion of the Convertible Bonds.

Pursuant to the terms of the Convertible Bonds, in the event that the number of Conversion Shares fall to be issued upon the exercise of the Conversion Rights based on the Conversion Price as adjusted in accordance with the Bond Conditions (including as a result of the adjustment events as mentioned in the sub-section headed “Principal terms of the Convertible Bonds – Adjustment events” above) exceeds 100,000,000 Shares, no Conversion Rights shall attach to the outstanding principal amount of the Convertible Bonds attributable to the Exceeded Conversion Shares (which shall be calculated by multiplying the number of Exceeded Conversion Shares with the Conversion Price in effect on the relevant conversion date) and the Unconverted Amount shall be redeemed by the Bondholder in accordance with the Bond Conditions. The allotment and issue of the Conversion Shares is not subject to any additional Shareholders’ approval.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Apart from the fund raising activities mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
13 May 2016 and 10 June 2016	Issue of 200,000,000 new Shares at a price of HK\$0.945 per Share under general mandate obtained from the Shareholders on 15 May 2015	HK\$188.5 million	Investments in potential property development projects and general working capital of the Group	Approximately HK\$174 million used for formation of limited partnerships for investments in potential property development projects. The remaining net proceeds of approximately HK\$14.5 million have remained unused and are intended to be used as planned.

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
7 September 2015 and 2 November 2015	Open offer on the basis of one offer share for every two Shares held on the then record date at an offer price of HK\$0.40 per offer share	HK\$201.1 million	<p>(i) Approximately HK\$160 million for development and operation of the finance lease business of Zhongxi Rongzi Zulin (Shanghai) Limited, an indirectly wholly-owned subsidiary of the Company; and</p> <p>(ii) approximately HK\$41.1 million for general working capital of the Group.</p>	<p>(i) Approximately HK\$123 million used in the development and operation of the finance lease business of Zhongxi Rongzi Zulin (Shanghai) Limited; and</p> <p>(ii) approximately HK\$41.1 million used for the general working capital of the Group.</p> <p>The remaining net proceeds of approximately HK\$37 million have remained unused and are intended to be used as planned.</p>

CHANGES IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and upon exercise in full of the Conversion Rights at the initial Conversion Price of HK\$1.01 per Conversion Share (assuming that there is no other change to the share capital of the Company from the date of this announcement until the completion of the conversion of the Convertible Bonds in full at the initial Conversion Price) are set out below:

Shareholder	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price	
	No. of Shares	%	No. of Shares	%
Mr. Zheng and his associate (<i>Note</i>)	395,869,769	22.86	395,869,769	21.63
Sino-Africa Resources Holdings Limited	255,676,042	14.77	255,676,042	13.97
<i>Public Shareholders:</i>				
Bondholder(s)	–	–	99,009,900	5.41
Other public Shareholders	1,079,886,689	62.37	1,079,886,689	58.99
<i>Total</i>	<u>1,731,432,500</u>	<u>100.00</u>	<u>1,830,442,400</u>	<u>100.00</u>

Notes: Of these Shares, 40,630,202 Shares are held by Mr. Zheng, and 355,239,567 Shares are held by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, Mr. Zheng is the chairman, an executive Director and a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Guarantee, which is a provision of financial assistance by Mr. Zheng to the Company, constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the Guarantee is provided for the benefit of the Company on normal commercial terms or better and no security over the assets of the Group is granted in respect of the Guarantee, pursuant to Rule 20.88 of the GEM Listing Rules, the Guarantee is exempted from the notification, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

As the Subscription Agreement may or may not complete, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 16 May 2016 at which, among other things, the General Mandate was granted to the Directors
“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Bond Conditions”	the terms and conditions of the Convertible Bonds
“Business Day”	being a day other than Saturday, Sunday and public holiday on which banks are open for general business in Hong Kong and on which the Stock Exchange is open for dealing in securities
“Company”	Flying Financial Service Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Subscription
“Completion Date”	the day on which the Completion shall take place and such day shall fall on the third Business Day following the fulfilment of the Conditions Precedent or waiver thereof (as the case may be) or such other date as the Company and the Investor shall agree in writing
“Conditions Precedent”	the conditions precedent to the completion of the Subscription, details of which are set out in the sub-section headed “The Subscription Agreement – Conditions Precedent” in this announcement
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Period”	having the meaning as set out in the sub-section headed “Principal terms of the Convertible Bonds – Conversion Period” in this announcement
“Conversion Price”	having the meaning as set out in the sub-section headed “Principal terms of the Convertible Bonds – Conversion Price” in this announcement

“Conversion Right(s)”	the conversion right(s) attaching to the Convertible Bonds
“Conversion Shares”	the new Shares to be allotted and issued by the Company upon exercise of the Conversion Rights
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$100,000,000 to be issued by the Company pursuant to the Subscription Agreement
“Deed of Guarantee”	the deed of guarantee to be executed by Mr. Zheng in favour of the Investor in respect of all sums due and payable to the Investor under the Subscription Agreement and other Transaction Documents
“Director(s)”	the director(s) of the Company
“Early Maturity Date”	any time after the first anniversary of the Issue Date of the Convertible Bonds and prior to the Final Maturity Date
“Final Maturity Date”	the second anniversary of the Issue Date of the Convertible Bonds
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate to issue Shares, the repurchase mandate and the extended general mandate to issue Shares each granted to the Directors by the Shareholders at the AGM collectively
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee provided by Mr. Zheng under the Subscription Agreement and to be provided by Mr. Zheng under the Deed of Guarantee
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company
“Investor”	Central China International Investment Company Limited, a company incorporated in Hong Kong with limited liability, whose ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Independent Third Parties

“Issue Date”	the date on which the Company delivers to the Investor (or its nominee) the definitive bond certificate in respect of the Convertible Bonds in accordance with the Subscription Agreement, which shall be the same date as the Completion Date unless otherwise agreed between the Company and the Investor
“Last Trading Day”	14 July 2016, being the date of the Subscription Agreement
“Long Stop Date”	the date that is twenty-one calendar days from the date of the Subscription Agreement (or such later date as the Company and the Investor may agree in writing)
“Material Adverse Effect”	a condition, a development or a circumstance which, individually or in aggregate, would: (a) have a material adverse effect on the condition (financial or otherwise), prospects, results of operations, general affairs or assets of the Company and its principal subsidiaries taken as a whole; or (b) adversely affect the ability of any of the Obligors to perform any of its/his obligations under the Transaction Documents; (c) adversely affect the validity or enforceability of any of the Transaction Documents
“Maturity Date”	the Final Maturity Date or the Early Maturity Date, as the case may be
“Majority Bondholders”	the Investor or, when there are other Bondholders apart from the Investor, the Bondholders holding Convertible Bonds or being proxies or representatives in respect of the Convertible Bonds and representing, in the aggregate, more than 50% of the aggregate principal amount of all Convertible Bonds then outstanding
“Mr. Zheng” or “Guarantor”	Mr. Zheng Weijing, the chairman, an executive Director and a substantial shareholder of the Company and the guarantor in respect of the punctual performance by the Company of all its obligations under the Transaction Documents
“Obligors”	the Company and Mr. Zheng
“Obligors Warranties”	the representations, warranties and covenants given or procured given by the Obligors under the Subscription Agreement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds by the Investor (or its nominee)
“Subscription Agreement”	the subscription agreement dated 14 July 2016 entered into between by the Company, the Investor and the Guarantor in relation to the Subscription
“substantial shareholder”	having the meaning ascribed to it under the GEM Listing Rules
“Transaction Documents”	the Subscription Agreement, the Deed of Guarantee, the bond certificate in respect of the Convertible Bonds and any other documents relating to the transactions contemplated therein which may be entered into from time to time
“%”	per cent.

On behalf of the Board
Flying Financial Service Holdings Limited
Zheng Weijing
Chairman and Chief Executive Officer

Hong Kong, 14 July 2016

As at the date of this announcement, the executive Directors are Mr. Zheng Weijing (Chairman and Chief Executive Officer), Mr. Zhang Gongjun, and Ms. Guo Chanjiao; and the independent non-executive Directors are Mr. Vincent Cheng, Mr. Leung Po Hon and Dr. Miao Bo.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company’s website at www.flyingfinancial.hk.