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VALUE PARTNERS GROUP LIMITED

惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 806)

DISCLOSEABLE TRANSACTION DISPOSAL OF BRILLIANT STAR CAPITAL (CAYMAN) LIMITED

The Board is pleased to announce that, on 25 April 2017 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan, at the Consideration, part of which shall be satisfied by the allotment and issue of the Consideration Shares by China Financial at the Issue Price.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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SALE AND PURCHASE AGREEMENT

Date

25 April 2017 (after trading hours)

Parties

- the Company as the seller

2. the Purchaser as the purchaser
3. China Financial as guarantor of the obligations of the Purchaser

The Group is principally engaged in provision of investment management services to investment funds and managed accounts.

The Purchaser is an investment holding company that is wholly-owned by China Financial. China Financial is principally engaged in the provision of integrated short-term financing services, comprising short-term financing, loan guarantee services and related management and consultancy service.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and China Financial and their respective associates are Independent Third Parties.

Assets to be sold

Pursuant to the Sale and Purchase Agreement, the Company agreed to sell, and the Purchaser agreed to buy, the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan. As at the date of this announcement, the Target Company is wholly-owned by the Company and indirectly holds 90% of the equity interest in Vision Credit.

Consideration

The maximum Consideration for the sale of the Sale Share and the Sale Loan is approximately HK\$316.5 million which comprised 90% of (i) 110% of the aggregate outstanding principal amount of the Normal Loan Book (ii) all cash and cash equivalents held by Vision Credit, less any Prepaid Interest as at the close of the Reference Date, subject to adjustments based on the post-Completion Default Loans and recovery of the Non-Performing Loan Book, plus approximately HK\$2.9 million in respect of the Non-Performing Loan Book, and 90% of 70% of the amount of Tax Credit utilised by Vision Credit within five tax reporting years after Completion.

The Consideration shall be payable by the Purchaser in the following manner:

- (a) on 27 January 2017, a first deposit of HK\$5.0 million was paid to the Company by the Purchaser upon the signing of non-binding heads of terms by Brilliant Star BVI and China Financial dated 27 January 2017;
- (b) within two Business Days from the date of the Sale and Purchase Agreement, a further deposit of HK\$30.0 million is payable to the Company;
- (c) on Completion:
 - (i) approximately HK\$200.4 million (inclusive of deposits already received) is payable in cash to the Company, based on the cash position of the Target Group as at the Reference Date and the amount payable in respect of the Non-Performing Loan Book; and
 - (ii) approximately HK\$105.6 million (determined by reference to the outstanding principal amount of the Normal Loan Book as at the Reference Date) is to be satisfied;

- a. as to 65% (i.e. approximately HK\$68.6 million) by the issue of Consideration Shares (through the surrender of the Loan Note referred to below); and
 - b. as to 5% (i.e. approximately HK\$5.3 million) payable in cash to the Company and as to 30% (i.e. approximately HK\$31.7 million) as to payment in cash into an escrow account and to be released in the 25th month following the date when Completion takes place;
- (d) during the five tax reporting years after Completion, the Purchaser is to pay, within 20 Business Days after Vision Credit makes its annual tax filing, an amount equal to 90% of 70% of the amount of Tax Credit utilised by Vision Credit to set off against any tax payable by it during that tax reporting year (i.e. HK\$10.5 million assuming all Tax Credit are to be utilized within the five tax reporting years after Completion).

The deposits will be refunded to the Purchaser if Completion does not occur and that the Sale and Purchase Agreement terminates for reasons other than a breach or violation of the agreement by the Purchaser. A sum of HK\$5.0 million will be paid by the defaulting party to the non-defaulting party in the event if Completion does not occur due to the default of the Purchaser or the Company.

On the Issue Date, the Consideration Shares are to be issued and allotted by China Financial to the Company (or its nominee) at the Issue Price in return for the Loan Note issued by the Company. The Loan Note will be the principal amount equal to the total Issue Price of the Consideration Shares and payable on 20th Business Days after termination of the Sale and Purchase Agreement without interest. At Completion, China Financial will return the Loan Note to the Company for cancellation, effectively setting off against the same amount of Consideration then payable.

The Consideration is to be adjusted on the following basis:

- (a) the Company is to refund amounts received for any loan that becomes a Default Loan within 24 months of Reference Date, subject to (i) the Refund Cap and (ii) the Purchaser's obligation to share with the Company 50% of the principal amount of any such Default Loans recovered within 12 months after the date it becomes a Default Loan and 25% of the principal amount of those that are recovered within 24 months after the date it becomes a Default Loan less, in each case, 50% of the Default Recovery Costs for each such Default Loan; and
- (b) the Purchaser is to pay to the Company 50% of the principal amount of any loan that comprised the Non-Performing Loan Book as at Reference Date that is recovered within 18 months of the Reference Date and 30% of those that are recovered within 36 months of the Reference Date less, in each case, 50% of the Default Recovery Costs for each such loan.

Settlement of the amounts payable is to be made on a quarterly basis or as the parties may otherwise agree. If the Company or the Purchaser fails to pay any amount due on the relevant due date under the Sale and Purchase Agreement, interest at the rate of 8% per annum shall be payable on the amount due calculated from the day immediately following the relevant due date until the date of full payment by the Purchaser or the Company.

As explained above, the Consideration was determined after arm's length negotiations between the Company and the Purchaser, based on the cash position and the size and quality of the loan book of the Target Group which is the primary asset of the Target Group.

Consideration Shares

The Consideration Shares will be issued at the Issue Price which was determined after arm's length negotiation between the parties with reference to the recent trading prices of the Shares and prevailing market conditions. The Consideration Shares represent (i) approximately 2.4% of the issued share capital of China Financial as at the date of this announcement; and (ii) approximately 2.3% of the issued share capital of China Financial as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in the issued share capital of China Financial from the date of this announcement to the date of Completion save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the CF Shares then in issue. An application will be made by China Financial to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price represents:

- (i) a premium of approximately 3% to the closing price of HK\$0.73 per CF Share, as quoted on the Stock Exchange, 24 April 2017, being the Last Trading Day; and
- (ii) a premium of approximately 3% to the average closing price of HK\$0.73 per CF Share, based on the last five consecutive trading days up to and including the Last Trading Day.

Conditions Precedent

The Completion is conditional upon the following:

- (i) the Listing Committee of the Stock Exchange granting an approval for the listing of, and permission to deal in, all of the Consideration Shares on the Stock Exchange, and such listing and permission not subsequently being revoked prior to the Completion; and
- (ii) the Chengdu Finance Office having approved or indicated no objection to the appointment of directors of Vision Credit to be nominated by the Purchaser.

The Purchaser may, at its absolute discretion, waive the condition precedent set out in paragraph (ii) above.

Completion

Subject to the conditions precedent being fulfilled or waived (as the case may be), Completion is to take place on the 10th Business Day after the fulfilment of the last of the conditions precedent or such other date no later than 120 Business Days following the date of the Agreement as the parties thereto may agree in writing.

The terms of the Sale and Purchase Agreement have been agreed upon arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Other Terms

The Company undertakes that it will not offer, pledge, charge, sell, offer to sell, contract to sell, transfer or otherwise dispose of any of the Consideration Shares, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Consideration Shares, within 18 months from the Issue Date or, if earlier, until the date of termination of the Sale and Purchase Agreement.

The Company undertakes to procure that a general manager of Vision Credit nominated by the Purchaser will be appointed on or before 2 May 2017 who shall have the authority to approve all loans made by Vision Credit. If Completion does not take place, the Purchaser undertakes (i) to procure that such general manager shall resign with no recourse against the Company; and (ii) to pay to the Company 100% of the outstanding principal amount of the loans which becomes Default Loans within 24 months from the date on which such loans were made with the approval of such general manager during his term of employment. The Company is to refund to the Purchaser amounts received for any loans recovered within 24 months after it becomes a Default Loan, less Debt Recovery Costs.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company is a wholly-owned subsidiary of the Company and is an investment holding company incorporated under the laws of the Cayman Islands with limited liability. Through Brilliant Star HK, the Target Company holds 90% of the equity interest in Vision Credit, which is a joint venture company engaged in small loan business in the PRC founded by the Group in 2011. Upon Completion, members of the Target Group will cease to be subsidiaries of the Company.

Set out below is the unaudited consolidated financial information of the Target Group for the financial years ended 31 December 2015 and 31 December 2016:

	For the year ended 31 December	
	2015	2016
	<i>(in HK\$ million)</i>	
Net profit (losses) before taxation and extraordinary items	13.7	(17.0)
Net profit (losses) after taxation and extraordinary items attributable to owners of the Target Group	8.1	(11.7)

As at the Reference Date, the unaudited consolidated total assets value and the unaudited consolidated net assets value of the Target Group were approximately HK\$363.9 million and HK\$24.8 million respectively.

Upon Completion, the Target Group will cease to be subsidiaries and consolidated in the financial statements of the Company. The Company estimates that, upon Completion, the Group will record a gain on disposal of approximately HK\$3 million. Such gain is estimated based on difference between the maximum Consideration and the Company's shares in net asset value of the Target Group, excluding the Sale Loan.

The Disposal will allow the Company to realise its investment in the Target Group and focus its resources towards its core investment management business. The Board intends to use the net proceeds arising from the Disposal as general working capital of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Brilliant Star BVI”	Brilliant Star Capital (BVI) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Brilliant Star HK”	Brilliant Star Capital Limited 耀星資本有限公司, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Business Day(s)”	a day, excluding public holidays, Saturdays and Sundays, on which banks in Hong Kong are open for business throughout their normal business hours;
“CF Share(s)”	the ordinary share(s) in the capital of China Financial;
“China Financial”	China Financial Services Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, the securities of which are listed on the Stock Exchange (stock code 605);
“Company”	Value Partners Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange;
“Completion”	completion of the Sale and Purchase Agreement;
“Consideration”	the total consideration payable in relation to the Disposal subject to the terms and conditions under the Sale and Purchase Agreement
“Consideration Shares”	91,527,011 new ordinary shares of China Financial, representing approximately 2.4% of the aggregate of the number of shares of China Financial in issue as at the date of this announcement, to be allotted and issued to the Company to settle part of the Consideration pursuant to the Sale and Purchase Agreement;
“Debt Recovery Costs”	in respect of any Default Loan or any loan comprised in the Non-Performing Loan Book as at the close of the Reference Date, any costs or fees incurred by the Group in connection with the recovery of that loan;

“Default Loan”	any loans that remain on the account of Vision Credit forming part of the Normal Loan Book that are due for more than 180 days and remaining outstanding as at any date;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Share by the Company to the Purchaser;
“Group”	the Company and its subsidiaries;
“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)”	party(ies) which is/are independent of the Group and the connected persons of the Company;
“Issue Date”	the fifth Business Day following the fulfilment of the condition precedent set out in (i) under the heading “Conditions Precedent”;
“Issue Price”	an issue price of HK\$0.75 per Consideration Share;
“Last Trading Day”	24 April 2017, being the last trading day for the Consideration Shares before the date of the Sale and Purchase Agreement;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Note”	a loan note to be issued by the Company to China Financial in respect of the total Issue Price of the Consideration Shares;
“Non-Performing Loan Book”	all loans advanced by Vision Credit that are due for more than 180 days and remaining outstanding which constitute Default Loans as at any date, the aggregate principal amount of which as at the Reference Date is approximately HK\$6.5 million;
“Normal Loan Book”	all loans advanced by Vision Credit other than those which form part of the Non-Performing Loan Book;
“Prepaid Interest”	at any time means in respect of any loan, the amount of interest deducted upon drawdown of that loan and which has not been applied as at that time in and towards payment or settlement of any part of the principal or interest of that loan;
“PRC”	The People’s Republic of China;
“Purchaser”	K.P.B. Asset Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is a wholly-owned subsidiary of China Financial;

“Reference Date”	31 March 2017;
“Refund Cap”	70% of the total outstanding principal amount of the Normal Loan Book as at Reference Date, in respect of all loans comprised in the Normal Loan Book as at Reference Date that become Default Loan before the first anniversary of the Reference Date or (without prejudice to the foregoing) 50% of the aggregate outstanding principal amount of the Normal Loan Book in relation to all loans that become Default Loans before the second anniversary of the Reference Date;
“RMB”	the lawful currency of PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 25 April 2017 entered into by the Company, the Purchaser and China Financial in relation to the Disposal;
“Sale Share”	1 ordinary share of HK\$0.1 of the Target Company, representing the entire issued share capital of the Target Company;
“Sale Loan”	the amount due from the Target Company to the Company being approximately HK\$323.1 million as at the Reference Date;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Brilliant Star Capital (Cayman) Limited, a company incorporated under the laws of the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company;
“Target Group”	the Target Company and its subsidiaries;
“Tax Credit”	tax credit in the amount of approximately RMB14.8 million as at the Reference Date that resulted from the writing-off of certain loans advanced by Vision Credit prior to the date of the Sale and Purchase Agreement; and
“Vision Credit”	Chengdu Vision Credit Limited 成都市武侯惠信小額貸款有限公司, a company established in the PRC with limited liability and is indirectly owned as to 90% of its equity interest by the Company.

By order of the board of
Value Partners Group Limited
CHEUNG KWONG CHI, AARON
Company Secretary

Hong Kong, 25 April 2017

As of the date of this Announcement, our Directors are Dato’ Seri Cheah Cheng Hye, Mr. So Chun Ki Louis, Dr. Au King Lun and Ms. Hung Yeuk Yan Renee as Executive Directors and Dr. Chen Shih Ta Michael, Mr. Lee Siang Chin and Mr. Nobuo Oyama as Independent Non-executive Directors.