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China Success Finance Group Holdings Limited

(中國集成金融集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3623)

CLARIFICATION ANNOUNCEMENT DISCLOSEABLE TRANSACTION PROVISION OF GUARANTEE AND ADVANCE TO AN ENTITY UNDER THE LITIGATION GUARANTEE ARRANGEMENT

Reference is made to the announcement of the Company dated 20 December 2013 (the “**Announcement**”) in relation to the provision of a litigation guarantee by Success Guarantee. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

The Board wishes to clarify that as one of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Litigation Guarantee Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the relevant disclosure requirements under the Listing Rules. In addition to the information contained in the Announcement, the Board would like to announce the following additional information.

INFORMATION ABOUT THE ARBITRATION CASE

The Arbitration Case arose from a dispute of a loan contract (the “**Loan Contract**”) between the Customer and the Respondents pursuant to which the Respondents borrowed from the Customer a sum of RMB90,000,000. Upon the default of the Respondents in making repayment pursuant to the Loan Contract, the Customer commenced an arbitration proceeding in Shenzhen Arbitration Commission (the “**SZAC**”) against the Respondents for the recovery of the loan pursuant to the arbitration clauses in the Loan Contract. The arbitration proceeding has been duly

accepted by SZAC on 12 December 2013. Subsequently, the Customer applied to the PRC Court for an order to preserve properties of the Respondents in the aggregate sum of RMB91,280,000 (the “**Preservation Order**”). In support of the application for the Preservation Order, (i) SZAC issued a letter to the PRC Court for applying the Preservation Order, and (ii) Success Guarantee provided the litigation guarantee in favour of the PRC Court as required by Rule 101 of the Civil Procedural Law of the PRC (中華人民共和國民事訴訟法). Purpose of the Preservation Order is to ensure that the Respondents would not be able to dispose of their assets and the Customer would not be left with an empty judgment at the conclusion of the arbitration proceeding.

ASSESSMENT OF CREDIT RISK

Prior to the provision of the litigation guarantee, the risk management committee which was responsible for the granting and approving the provision of litigation guarantee (which included the internal legal advisor) of Success Guarantee reviewed, among others, (i) the Loan Contract and the relevant guarantee contracts ancillary thereto, (ii) receipt of the loan amount of RMB90,000,000 issued by the Respondents in favour of the Customer, (iii) the arbitration petition and the acceptance of arbitration both issued by SZAC, (iv) the letter issued by SZAC to the PRC Court in respect of the application for property preservation, and (v) a letter issued by the Customer dated 17 December 2013 pursuant to which the Customer agreed to compensate all the liability that may incur to Success Guarantee if the documents provided by the Customer are found to be untrue.

After reviewing the aforesaid documents, the risk management committee of Success Guarantee was of the view that the credit risk of Success Guarantee under the Litigation Guarantee Arrangement is low for the reasons being that:

- (a) the application for the Preservation Order has already been accepted by SZAC, which means SZAC accepted that the Customer has an arguable case which justifies the application for property preservation;
- (b) Success Guarantee will only be required to honor the litigation guarantee if the Customer inappropriately applies for property preservation in the PRC Court against the Respondents and the Respondents have successfully substantiated the loss suffered by the Respondents for the property preservation made by the Customer; and
- (c) pursuant to the letter issued by the Customer dated 17 December 2013, the Customer agreed to compensate all the losses of Success Guarantee if the documents provided by the Customer are found to be untrue.

In addition, considering that the application for the Preservation Order has been accepted by SZAC, both the internal legal advisor of Success Guarantee and the PRC legal advisors of the Company, Commerce and Finance Law Offices, consider that the Customer has appropriately applied for property preservation.

As the Customer is the plaintiff of the arbitration proceedings and is the creditor under the Loan Contract, the Company considers that the credit worthiness of the Customer are not the most significant when Success Guarantee was assessing the credit risk involved in provision of the litigation guarantee and considers that it is more appropriate to assess whether the Customer had applied the Preservation Order appropriately. As such, the Company had taken all reasonable steps to check the procedures of the application for the Preservation Order and considered that the risk involved in the provision of the litigation guarantee is minimal.

On 18 December 2013, the PRC Court ruled that the application for property preservation by the Customer complies with the relevant PRC laws and procedures.

INFORMATION ABOUT THE GROUP AND SUCCESS GUARANTEE

The Group is a guarantee service provider offering financial and non-financial guarantee services and financial consultancy services in Foshan City, Guangdong Province, the PRC. Success Guarantee is the principal operating subsidiary of the Group.

INFORMATION ABOUT THE CUSTOMER

The Customer is a PRC citizen. Success Guarantee has no business relationship with the Customer prior to the entering into of the Guarantee Contract, accordingly, the Customer has not defaulted in repayment of any advances previously made by Success Guarantee. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Customer is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

GUARANTEE FEE

Success Guarantee charged the Customer the guarantee fee at the rate in the range of 0.8% to 1.2% over the amount guaranteed by Success Guarantee to the PRC Court for the Litigation Guarantee Arrangement. The guarantee fee has already been settled in full by the Customer shortly after the entering into of the Guarantee Contract. The range of the guarantee fee rate was based on, among others, assessment of the credit risk involved in the Litigation Guarantee Arrangement.

WAIVER APPLICATION TO THE STOCK EXCHANGE

The Company made an application for a waiver from strict compliance with Rule 13.15 and Rule 14.58 of the Listing Rules in respect of the disclosure of the identity of the parties under the Guarantee Contract and the fees to be received by Success Guarantee under the Guarantee Contract. The reasons for the Company's waiver application are as follows:-

- (a) pursuant to Clause 40 of the Arbitration Law of the PRC (中華人民共和國仲裁法) and Clause 48 of the Arbitration Rules of SZAC (深圳仲裁委員會仲裁規則), parties and procedures to an arbitration proceedings cannot be disclosed unless the arbitration proceedings have been contractually agreed to be held publicly. Therefore, the Company is under a legal obligation to keep the parties and procedures confidential; and
- (b) disclosure of the fees to be received by Success Guarantee under the Guarantee Contract would cause a material adverse effect to the business model of Success Guarantee, which would be detrimental to the market competitive edges of Success Guarantee. A range of the guarantee fees has been disclosed in this announcement to satisfy the Company's disclosure obligations under the Listing Rules.

However, after considering the facts and circumstances of the transaction by the Stock Exchange, the waiver application was not accepted and no further action will be taken by the Stock Exchange in this regard.

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

Hong Kong, 7 February 2014

As at the date of this announcement, the Board comprises (i) two executive Directors, namely, Mr. Zhang Tiewei and Mr. Li Bin, (ii) three non-executive Directors, namely, Mr. He Darong, Mr. Xu Kaiying and Mr. Pang Haoquan, and (iii) three independent non-executive Directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan.